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The Bargain Theory of Wages. by John Davidson

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schoolmasters to represent their pupils as using it habitually, and even in their presence.

HELEN BOSANQUET

The Development of Thrift. By MARY WILLCOX BROWN. (New York : The Macmillan Company. London : Macmillan and Co., Ltd. 1899. Pp. x. 222.)

THIS is an account of various forms of thrift organisations written from the point of view of the philanthropist. It should be useful as spreading information on subjects too liable to be neglected by the rich in their considerations of the wage-earning classes—subjects such as people's banks, building societies, and even the great friendly societies. But to an English reader the writer's appreciation of the different institutions seems rather astray. It would be a strange thing if, in America, the ideal of independence for the working class should be lower than in England: but we close this book with a strong feeling that it is so. Take for instance the sentence "One of the chief missions of the visitor is to find employment for the man." The most inveterate visitor in England would probably hesitate before assuming such a wide responsibility as that. Again, the position that semi-philanthropic savings-banks are better than those which are purely commercial; that the philanthropic savings-collector "must be a rival of the insurance agent"; and that it is the duty of the "charity worker" to provide philanthropic pawn-shops and loan-societies, seems quite contrary to the principle that charitable assistance is good only in as far as it promotes the economic independence of the poor.

The account of the "building loan associations" in America is interesting reading, and the chapter on English Friendly Societies should be interesting to an American. But we must point out that it is misleading as to the nature of Friendly Societies to say that the membership of the "Hearts of Oak" has been principally confined to the classes of professional men and skilled labourers—unless indeed "professional" has quite another meaning to the American from what it has to us.

HELEN BOSANQUET

The Bargain Theory of Wages. By JOHN DAVIDSON, Professor in the University of New Brunswick. (New York : Putnam's Sons. Pp. 317.)

PROFESSOR DAVIDSON'S work does not consist merely of abstract theory: much solid concrete matter is thrown into the "bargain." The statistics respecting the mobility of labour are particularly copious and interesting. The relation between trade mobility and place mobility are illustrated by the fact that, while seventy per cent. of the immigrants into the United States who have an occupation, return themselves common labourers, more than thirty per cent.

of the skilled labour in the United States is foreign-born. Comparing migration with emigration, the author adduces facts to prove that "migration is not so much greater in volume than emigration as to justify the assumption of the theory of international trade." Migration is actually decreasing in importance, in the New World at any rate, just when it has become more easy. This unexpected result may be ascribed partly to the growing strength of local patriotism combined with increasing political power of the working classes, and partly perhaps to the localisation of industry. Professor Davidson does not seem to regret the tendency. "Mobility" he says, "does not on the whole tend to promote good citizenship." Domestic servants, who enjoy the maximum advantages of mobility, "as a class are coming to exhibit the mental and moral deterioration in which excessive mobility results." By a comparison between owner occupiers and tenant occupiers in respect of total earnings and number of days employed in the year in twenty-one Canadian towns, it is made out that the more permanent class have the advantage in both respects. The diminution of migration does not imply imperfection of competition. The potentiality of movement often suffices, "as between good players the game is often decided by a show of cards."

The law of migration by stages, observed by Messrs Ravenstein and Llewellyn Smith, receives some, not very striking, verifications in the New World. The sort of seasonal migration practised by the Irish harvesters finds a parallel in Canadian labour, employed one part of the year in farming, or lumbering, in Canada, and the other part of the year in bricklaying, or factory work, in the United States.

"Less striking, perhaps, but no less profound in its consequences, and in reality no less imposing in its silent magnitude, than the barbarian invasions which overthrew the Roman Empire, the tide of emigration has set steadily from the Old World to the New for nearly a hundred years, and shows no signs of diminishing in force." Professor Davidson thus impressively introduces some weighty reflections on the incidents of emigration, the loss and the gain both to the country of origin and the country of destination, the relation between emigration and the state of trade in both countries, and the tendency to a reduction of wages in the country of immigration.

We have not space to reproduce these reflections, nor to record the interesting Canadian experience which is brought to bear against the Truck system. In Newfoundland it resulted in the labourer being paid, not in "part goods, part cash," but in "part goods, part trash." Many a Newfoundland fisherman has "passed from the cradle to the grave without ever having seen a piece of money." The author's observations on the effect of such a system on the workmen's character seem very just:—

"The output of labour is not a mere question of strength and knowledge. Willingness and hopefulness and the disposition to do one's best are almost as

important . . . and those moral qualities are peculiarly liable to be influenced by the manner in which the wages are paid" . . . and much to the same effect.

It should be explained that the examination of "wages factors" to which we have referred is subordinate to the author's theory of wages, to which we are led up by a criticism of earlier theories: the subsistence theory, the wages fund theory, and the productivity of labour theory. The modern form of the subsistence theory, that you have only to improve the condition of the workmen to make a higher wage necessary, is well exposed. The wages fund theory, in its strict and literal sense, is supplanted by the correct conception of a bargain which turns on supply and demand. "The fundamental error of the wages fund theory consists in treating both supply and demand as fixed quantities." The author dwells not only on the generic character, but also on the specific peculiarities of the labour market, a subject on which Professor Marshall's chapters on "the earnings of labour" have left little to be said freshly. However it cannot be too often repeated that, in our author's words, "labour, if it be a commodity, is a commodity of a peculiar kind." It is well said that:

"The buyer of labour" . . . "acquires an instrument of production whose efficiency is determined in part by moral considerations" . . . "the purchaser takes into account the difference between labour and other commodities, and is therefore more willing to make moderate concessions, if by so doing he can remove all unwillingness and sense of unfairness from the mind of the labourer."

"The productivity theory," whether consisting in the conception of wages as a residual share, or in still more naïve forms, is supplanted by the correct conception that

"the shares are mutually determined and determining; and we may therefore give up the search after some definite principle or principles, which directly or indirectly, by the method of residues, would predetermine the share of any one of them."

Thus we are led up by steps constructed from the detritus of exploded doctrines to the true, the "bargain," theory of wages. As we climb this height of speculation, an ever-widening expanse of broad and fair views opens out. But at the very summit, as we reach the highest generalisation, there supervenes a certain haze, involving, as it seems to us, in some obscurity the author's main position.

"This theory, based on the phenomena of organization of employer and employed, in combinations of approximately equal strength, puts forward two determining principles, or more accurately asserts, that the wages of labour will be determined between two estimates as limits" (p. 5).

"The price of labour is determined somewhere between two estimates placed upon it—the estimate of the employer and the estimate of the labourer.

The estimate of the labourer is the resultant of two factors—one positive and one negative—the utility of the reward and the disutility of the labour; and the estimate of the employer is, on the whole, dependent on the indirect utilities afforded by what he purchases, or rather by the discounted value of the product created by the labourer's exertions. Should the labourer place too high an estimate upon what he offers to sell, or the employer too low an estimate on what he wishes to pay, no exchange will be effected

"Between these two estimates the value of labour is determined by the forces by which all exchanges are effected. These two estimates are a maximum and a minimum" (p. 140).

"We have here a failure of the equation of exchange. We can only say that wages will be determined somewhere between the limits by the comparative strength and knowledge of the bargainers" (p. 142).

The labourer's "estimate is not represented by an amount of commodities, but by that amount of commodities which will afford an equation of utility and disutility" (p. 147).

"The upper limit of wages is the employer's estimate of what the labourer is worth to him" (p. 153).

"Wages are the result of an equation, if we must use the term, of the supply estimate and the demand estimate, and if the equation is not established at first the solution of the problem is reached, as it is reached in all other buying and selling, by bargaining."

In the chapter from which we have quoted, the author has expressed himself at length on his cardinal doctrine; and he is not deficient in the powers of exposition. It is probably our fault that we have failed to grasp his theory of limits. Perhaps he would have done well to supplement his verbal explanations by the use of mathematical phraseology. We are compelled to resort to that method, in order to indicate our difficulty: debarred as we are by the narrow limits of a review from a full discussion of the subject. It must suffice here to say briefly that after the closest attention we are uncertain whether the "limits" of which the author speaks so much relate to *total* or to *marginal* utility; whether they should be represented by the so-called "indifference-curves," the *OP* and *OQ* of Professor Marshall's mathematical note XII, or rather, pertain to demand- and supply-curves—conceived perhaps, not as geometrical lines, but as strips or bands of sensible breadth, such that the two points in which a vertical representing price may intersect the outer and inner boundary of the locus correspond respectively to the higher and lower estimates which play so large a part in the author's theory. But we are by no means certain that either of these widely different conceptions is suited to illustrate the author's meaning. On the strength of the general solidity of the rest of the book, we are disposed to think that the chapter on the bargain theory of wages would repay further investigation. We should be prepared to find that the theory is substantially identical with that which has been more clearly stated by Professor Marshall with respect to supply and demand in general, and the labour market in particular.

F. Y. EDGEWORTH