

**A CRITICISM OF THE
THEORY OF
TRADES' UNIONS**

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A criticism of the theory of trades' unions by T. S. Cree

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OF THE

THEORY OF TRADES' UNIONS.

BY

T. S. CREE.

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A CRITICISM
 OF THE
 THEORY OF TRADES' UNIONS:
 A Paper

READ BEFORE THE ECONOMIC SCIENCE SECTION OF THE
 PHILOSOPHICAL SOCIETY OF GLASGOW,
 12TH NOVEMBER, 1890,

BY T. S. CREE.

UNTIL about twenty years ago most economical authorities were agreed in condemning trades' unions as a means of improving the position of the working-classes. Since that time a change has taken place in the opinion of the economists, and following upon that, in the feeling of the general public towards those organisations. The laws against combination have been abolished, and many, if not most, people are now inclined to admit that trades' unions have done something for their members and their class, and that, when conducted with moderation and fairness, they are not hurtful to the commonwealth. Recent events, however, and more particularly the developments of what is called the new unionism, are now causing many to doubt the soundness of this new view, and the time seems opportune for stating the criticisms and objections of those who, like myself, have taken an interest in the question during all these years, and have never been able to accept the arguments upon which the change of opinion is based.

When, therefore, our Secretary asked me to put on paper the views which I had expressed last year in the discussion which followed Mr. Llewellyn Smith's lecture on the great Dock Strike, I readily agreed to do so.

Political economy is now a much more complicated study than it was in the days of Adam Smith or even of John Stuart Mill. For instance, Professor Marshall's new book on the principles of economics is full of refinements, of limitations and exceptions, of subsidiary laws which were not thought of by the earlier writers; and in the exploration of these bye-ways there seems to me to be some danger of the main road being occasionally lost sight of. As the study becomes more difficult, there is a greater probability of students accepting the arguments of their teachers as authoritative, without taking the trouble to verify them and think for themselves. There is, therefore, likely to be some advantage in outsiders occasionally reviewing dogma and argument in the light of experience, and experience is particularly valuable where principles are sought to be applied, and a certain course of action tested by them. As one who has had a good deal of experience of the working of trades' unions, and has given the subject some attention, I may be able to point out to those of you who are more accomplished economists than I am, some practical element which has been overlooked.

If, in the following remarks, I have to criticise unfavourably some of the means taken by the working-classes to attain their ends, I need hardly say that I do not do so in any spirit of antagonism to the workmen. I have as much sympathy with working people and their desire to better themselves as any man can have, and it is for that reason I feel called upon to speak out when I see them taking what I think to be wrong methods, more likely to hurt than to better their condition.

I do not intend to speak of trades' unions as benefit societies; there is no fault to find with them there, though it may be doubted whether there is any advantage in special provident societies being attached to each trade. Nor do I deny—what is perhaps

rather much insisted upon—that trades' unions have some educative advantages. These advantages are common to all organisations, whether sound in principle or the reverse, and in this case are more than counterbalanced by the loss of independent thought and action.

I confine my criticism of trades' unions to the question whether their action is a legitimate and efficient means of raising wages. I will try to avoid the use of any expression which can give offence to any trades-unionist, as far as that is consistent with a plain statement of my opinions.

Mr. Llewellyn Smith began his lecture last year with a short exposition of the theory on which trades' union action in general is based. It is that theory which I now propose to discuss. I have not been able to get a copy of Mr. Llewellyn Smith's paper; but that is of little consequence, as the argument is the same as was first stated by Mr. John Stuart Mill in the year 1869 in two articles which he wrote for the *Fortnightly Review* in the May and June numbers of that year, reviewing Mr. Thornton's book on "Labour and its Claims." These articles are now republished in his works ("Dissertations," No. IV.)

Mr. Mill is an acknowledged authority, and a master of the art of clear exposition. His statement of the case is much fuller than Mr. Llewellyn Smith's could be; and as his argument was adopted by Mr. Smith, and his again approved, as he told us, by Professor Marshall, I will take the former as my text, and will summarise it as fairly as I can.

In the main Mr. Mill accepts Mr. Thornton's conclusions, though he restates them in his own way.

In speaking of Mr. John Stuart Mill as a great authority, it is necessary to remember that there were two very distinct periods in his life and modes of thought. During the first period, under the influence of his father, he was a clear and cool expositor of natural laws. During the second period, under influences with which those who have read his life will be familiar, he became much more inclined to take a sentimental view of things, and some may

think was too ready to accept theories which seemed to offer a way of escape from the stern operation of these laws. It is, therefore, not so bold a step as it might appear to be, to question the conclusions of his later writings.

Up till 1869 Mr. Mill had been an opponent of any attempt to raise wages by combination. In his "Principles" he says—"The condition of the working-classes can be bettered in no other way than by altering the proportion which capital bears to population to their advantage, and every scheme for their benefit which does not proceed on this as its foundation is, for all permanent purposes, a delusion." But now he recants his former opinions.

Before proceeding to state his main argument, I may here say that I intend to confine my remarks to the question, whether trades' unions can obtain an advance of wages *out of profits*. The popular belief that there is a second source from which it is possible for an augmentation to come—namely, prices—is not held, so far as I am aware, by any economical authority, and it is, therefore, not necessary for me to discuss it.

In case, however, there are any of my hearers who hold that view, I will quote a passage from Mr. Mill's essay, to which I have referred. He says—"There cannot be a general rise of prices unless there is more money expended. But the rise of wages does not cause more money to be expended. It takes from the incomes of the masters and adds to those of the workmen; the former have less to spend, the latter have more; but the general sum of money incomes of the community remains what it was, and it is upon that sum that money prices depend. There cannot be more money expended upon everything when there is not more money to be expended altogether. A rise in general wages cannot, therefore, be compensated to the employers generally by a general rise in prices." "From the necessity of the case, the only fund out of which an increase of wages can possibly be obtained by the labouring classes, considered as a whole, is profits."

Mr. Mill elaborates this point, but that should be sufficient here.

Mr. Mill's main argument is as follows:—

*Mr. Thornton has shown, by an elaborate argument and by several examples, that the law of supply and demand does not fix price with perfect exactness, or rather that supply and demand become equal, not at an exact point in price, but that it may be that several prices, or a range of prices, will satisfy the requirements of that law; that there is or may be a kind of table land within which the law does not operate. The typical example by which he proves this is a sale of a hundredweight of fish by Dutch auction—that is, the seller bidding down instead of the buyers bidding up. He supposes that there may be only one buyer present willing to give 20s. for the lot, and no other buyer willing to give more than 18s.; by the Dutch auction the buyer will take the offer at 20s., while by the English auction the bidding will stop at 18s., and the man who is willing to give 20s. will get the fish at that price, 18s., or a fraction over it. Thus, he says, "In the same market, with the same quantity of fish for sale, and with customers in number and every other respect the same, the same lot of fish might fetch two very different prices," and Mr. Mill goes on to say "the law is equally and completely fulfilled by either of these prices."

Mr. Llewellyn Smith's argument was exactly the same, his example being, according to my recollection, as follows:—A house builder has a house for sale, for which he would like to get £1000, but would be willing to take £950 rather than miss a sale. And there is a buyer who would like to buy at £950, but would, if necessary, go the length of £1000. There is thus between £950 and £1000 a kind of no-man's-land of £50, at any point of which the demand and supply are equal. Whether the buyer or seller gets the larger share of that £50 depends upon astuteness in bargaining or some accidental circumstance, and not at all on the law of supply and demand, which is inoperative within these limits.

The principle of the two cases is exactly the same.

Mr. Mill goes on to say, "When the equation of demand and supply leave the price indeterminate because there is more than one price which would fulfil the law, neither buyers nor sellers are under the action of any motives derived from supply and demand

*as always
his example
is a house*

to give way to one another. Much will in that case depend on which side has the initiative of price. This is well exemplified in Mr. Thornton's supposed Dutch auction. The commodity might go no higher than 18s. if the offers came from the buyer's side, but because they come from the seller the price reaches 20s. Now, Mr. Thornton has well pointed out that this case, though exceptional among auctions, is normal as regards the general course of trade. As a general rule, the initiative of price does rest with the dealers. And then he goes on to say, "If it should turn out that the price of labour falls within one of the excepted cases, the case which the law of equality between demand and supply does not provide for because several prices all agree in satisfying that law, we are already able to see that the question between one of those prices and another will be determined by causes which operate strongly against the labourer and in favour of the employer. For there is this difference between the labour market and the market for tangible commodities, that in commodities it is the seller, but in labour it is the buyer, who has the initiative in fixing the price. It is the employer, the purchaser of labour, who makes the offer of wages; the dealer, who is in this case the labourer, accepts or refuses. Whatever advantage can be derived from the initiative is, therefore, on the side of the employer, and in that contest of endurance between buyer and seller, by which alone in the excepted case the price so fixed can be modified, it is almost needless to say that nothing but a close combination among the employed can give them even a chance of successfully competing against the employers."

But Mr. Mill goes on to say, "It will be said that labour is not in that barely possible excepted case. Supply and demand do entirely govern the price obtained for labour." "This theory rests on what may be called the doctrine of the wages fund, and may be found in every treatise on political economy, my own included." And he then proceeds to state the wages fund theory, with limitations which make it no longer an operative law on one side. He concludes with these remarks, "There is no law of nature making it inherently impossible for wages to rise to the point of absorbing

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