

**THE THEORY OF WAGES AND  
ITS APPLICATION TO THE  
EIGHT HOURS QUESTION AND  
OTHER LABOUR PROBLEMS**

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The theory of wages and its application to the eight hours question and other labour problems by  
Herbert M. Thompson

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**HERBERT M. THOMPSON**

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BY  
HERBERT M. THOMPSON, M.A.

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## PREFACE

WE are not likely to deal with wages questions in the best way if we have no grasp of the general theory of the subject. If we are groping in the dark we shall not estimate aright the probable amount of effects from given causes, perhaps not even their direction.

The matter deserves attention even from the general public, for few are unconcerned with it directly or indirectly. To diminish the haziness of view which is the dominant characteristic of discussions concerning wages a closer study of the topic than is generally vouchsafed is required. Perhaps the most striking contemporary instance of this necessity is the controversy on the Eight Hours' Question.

But many smaller problems are constantly

arising in almost everybody's life, and in dealing with these a lack of clearness of view is equally discernible.

For example it may be that we are asked to subscribe to free meals for poor children, and when we have committed ourselves to the subscription list we are rendered uncomfortable by more enlightened philanthropists who tell us that our action will in the long run tend, by the operation of "the iron law of wages," to lower the general rate of wages, so that it appears we are injuring the very people whom we are seeking to benefit. But we take comfort once more when we are informed on still better authority that "the iron law of wages" does not receive acceptance in instructed circles.

If we are to act wisely in these matters we ought not to be at the mercy of stereotyped phrases, or of dicta *ex cathedra*, but we ought ourselves to have some grasp of underlying principles.

If for example we realised that a main cause of poverty was the fact that so very few are working on a high plane of intelligence and skill, compared with the great multitude who are labouring inertly

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on a low one, we should see that the peril of the free breakfasts lay in tranquillising the discontent with the current depressed standard of living amongst the very poor. We should indeed be able to appreciate the contention that the vitality needed for a struggle to a higher plane in the working world is more likely to reside in a little frame that is nourished than in one that is starved. But we should nevertheless see the danger of withdrawing an incentive acting on the parents in a very genuine way and instigating them to accomplish work of a higher calibre, or at least to refrain from acquiescence in employment on a lower level of activity.

True there is no Iron Law in accordance with which wage-earners are, for the same work, always provided with the bare necessities of life, neither more nor less. At any rate none such exists for wage-earners fully awake to what advantages their position affords, and prepared to claim them to the uttermost.

But nevertheless there is an analogous danger that the lower orders of wage-earners may forge iron fetters for themselves by never striving to



do a higher grade of work than the lowest which at the moment happens to be the one which will just bring them in the actual necessities of life.

The idea requires impressing on their minds, that by doing work that is more wanted by the community, they can do much better than provide these bare necessities for themselves, but that by not striving to do work of any but such a low grade that it is already more than superabundantly provided, even less than the bare necessities of life may be brought in to the domestic exchequer.

The free breakfast scheme certainly does not enforce this idea, and it is a question whether, in the abiding interests of the wage-earning classes themselves, the severity of the punishment by which the lesson is enforced should be tempered further than mere humanity demands by such action as that of the Poor Law.

The following pages do not claim to have a great deal that is original in them, though their arrangement is perhaps new. The economic statements are for the most part those accepted by the economists of to-day, but it has been my aim to put together in a concise form the considerations

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essential to the case scattered through the manuals of Political Economy. This I have endeavoured to do in my first chapter; and in my last I have applied the theory thus expounded to various wage-problems with the view of showing how it can be utilised in grappling with practical questions. These two chapters contain all that is likely to interest the general reader.

There intervene three chapters addressed to economists which it has seemed necessary to embody in order to make my position complete; for, in an attempt to enunciate a wage-theory capable of practical application, it would be inexcusable to run counter to the received economic doctrine of to-day, or even of yesterday, without justifying one's position.

I do not apprehend however that either the second or the third chapter will at the present time encounter any serious dissent. With the fourth chapter the case is different; and it is certainly with some agitation that I have attacked a position held by a master of Political Economy like Professor Alfred Marshall, who not only himself holds a place in the first rank in the hierarchy of classical

economists, but is completely versed in contemporary writings, continental and American as well as English.

It was not until after I had written this chapter, that there came into my hands the monograph written by the American economist, Professor J. B. Clark, A.M., "Possibility of a Scientific Law of Wages" (Publications of American Economic Association, vol. iv. No. 1). The supplementary note to that paper contains an argument based on a *reductio ad absurdum* almost identical with one I have employed, and I confess it is reassuring to me to find that other minds have been working in the same direction as my own.

The theory of wages enunciated in this volume regards the product of industry as being divided up amongst the agents of production in shares all of which are interdependent on each other; consequently the notion that a certain share or certain shares falling to one or more agents of production are fixed, leaving the other shares or share to be enjoyed as a *residue* of the total product of industry (however great or however small that residue may be), is rejected. The second chapter combats the