

Political economy, the labour movement and the minimum wage, 1880–1914*



James Thompson

In 1974 Peter Clarke published a celebrated paper on the progressive movement in England. The article began with the modest proposal that ‘American historiography can . . . suggest valuable lines of analysis which have not been fully applied to Britain’. In particular, it was claimed, the study of American progressivism disclosed the need to pay due attention to the role of ideas in the history of social reform. In characteristically mischievous fashion, the author noted that ‘it would not, perhaps, be fair’ to say ‘that in England we purposely write history with the ideas left out’.¹ The paper proceeded to address this lacuna through an examination of how British progressives defined their relationship with organised labour through their ideas. As such, it enunciated a developing interest in the place of ideas in political history; more specifically, it expressed a deep and enduring engagement with the politics of economics and the relationship between social democrats and the labour movement.²

This chapter shares these concerns. It focuses upon a political question that raised large economic issues and sparked a complex debate amongst progressives and the labour movement. It draws too upon the Anglo-American comparison highlighted by Clarke’s paper. As historians have increasingly recognised, transatlantic traffic played a significant role in the development of ideas about social policy in the pre-1914 period.³ In the case of the minimum wage, as Hart and Skocpol have noted, links between British and American reformers were manifold.⁴ This chapter is

¹ P. F. Clarke, ‘The progressive movement in England’, *TRHS* 24 (1974), 159.

² P. F. Clarke, *Liberals and Social Democrats* (Cambridge: Cambridge University Press, 1978); P. F. Clarke, *The Keynesian revolution in the making* (Oxford: Clarendon Press, 1988).

³ D. T. Rodgers, *Atlantic crossings: Social politics in a progressive age* (Cambridge, MA: Harvard University Press, 1998); M. Stears, *Pluralists, progressives and the state* (Oxford: Oxford University Press, 2002).

⁴ T. Skocpol, *Protecting soldiers and mothers: The political origins of social policy in the United States* (Cambridge, MA: Harvard University Press, 1992); V. Hart, *Bound by our constitution: Women, workers and the minimum wage* (Princeton, NJ: Princeton University Press, 1994).

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primarily directed towards exploring British developments, but it does so in part by comparing and connecting the United Kingdom and the United States. The focus is firmly upon the political and economic debate, and especially the relationship between reforming political economists and organised labour.

The material below falls into four sections. The first traces the trajectory of arguments about the minimum wage amongst liberal intellectuals and political economists in Britain. Attention then turns to labour attitudes to the living wage. The third part develops the comparison with the United States. The final section deals with the Edwardian political debate about the minimum wage.

I

Debate within political economy about the viability and value of minimum wages must be located within the larger context of changes in thinking about distribution. By the middle of the nineteenth century, the wage fund doctrine was used as an argument against the efficacy of trade unions as much as a macro-economic claim about labour's overall share of the national product.⁵ The demise of the wage fund doctrine in the 1860s and 1870s led to a growing emphasis upon the indeterminacy of the wage bargain. Political economists increasingly stressed the role of higgling in shaping levels of pay. Institutional factors, notably the relative bargaining power of trade unions and employers' federations, played an important explanatory role. Accounts of industrial disputes also attributed considerable significance to 'public opinion' in the determination of outcomes.⁶

This kind of framework was widespread in British political economy in the last three decades of the nineteenth century. Acknowledgement of indeterminacy, most elegantly espoused by Edgeworth, was common.⁷ The analysis conferred legitimacy upon trade unions as a means of reducing the inequality in bargaining power between capital and labour, building upon older defences of the necessity of combination amongst workers. Granted a degree of contingency about remuneration, much emphasis was placed upon the economic advantage of high wages. The argument was made, often accompanied by an appeal to the authority of Adam

⁵ J. Vint, *Capital and wages: A Lakatosian history of the wage fund doctrine* (Aldershot: Edward Elgar, 1994).

⁶ J. Thompson, 'The idea of "public opinion" in Britain, 1870–1914', unpublished PhD thesis, University of Cambridge (2000), pp. 277–332.

⁷ F. Y. Edgeworth, *Mathematical psychics: On the application of mathematics to the moral sciences* (London: Kegan Paul, 1881), pp. 29–30, 44–5.

Smith and the empirical research of Thomas Brassey, that high wages resulted in enhanced productivity.

As Petridis has observed, high-wage theory commanded significant support in the last decades of the nineteenth century.⁸ In his early work especially, Marshall gave considerable credence to the role of higher wages in raising productivity.⁹ This was in part an argument based upon the brute physical need for greater food inputs, but it also reflected the belief that the mental stimulation afforded by greater leisure rendered workers better able to perform the supervisory tasks essential to an economy founded upon craft skill rather than assembly-line production.¹⁰ Claims about the intellectual benefits of high wages, and the importance of 'human capital', came to be combined with arguments about social justice and cohesion to defend the living wage. Activists who appealed to high-wage theory to defend minimum wages were thus drawing upon well-established argumentative resources.¹¹ As we shall see, some political economists, notably Pigou, challenged cruder forms of high-wage theory, but the importance of such considerations in debates over the minimum wage is clear.

Conventional wisdom about wage rates granted a role to trade unions, but it did so within limits. Profitability and the demands of superintendence circumscribed the scope for wage rises. Debate inevitably centred on the question of the level and explanation of existing wage rates. The discovery of poverty in the 1880s has been extensively discussed in the last thirty years.¹² Research into living standards, particularly that of Booth and Rowntree, undoubtedly had a significant impact. The existence of extremely low wage rates, particularly for homework, had been

⁸ A. Petridis, 'Brassey's law and the economy of high wages in nineteenth-century economics', *History of Political Economy* 24, 4 (1996), 583–606. For similar views among German Anglophiles, see J. Thompson, "'A nearly related people": German views of the British labour market, 1870–1900', in D. Winch and P. K. O'Brien (eds.), *The political economy of British historical experience, 1688–1914* (Oxford: Oxford University Press, 2002), pp. 93–119.

⁹ A. Marshall, 'A fair rate of wages', preface to L. Price, *Industrial Peace* (London: Macmillan, 1887), reprinted in A. C. Pigou (ed.), *Memorials of Alfred Marshall* (London: Macmillan, 1925), p. 225.

¹⁰ For high-wage arguments, see A. and M. P. Marshall, *Economics of industry* (London: Macmillan, 1879), pp. 200–2.

¹¹ There is a lengthy discussion of attitudes to trade unions and high-wage theory in J. Thompson, 'The reception of Lujo Brentano's thought in Britain, 1870–1900', working paper, Centre for History and Economics, King's College, Cambridge.

¹² G. Stedman Jones, *Outcast London: A study in the relationship between classes in Victorian society* (Oxford: Clarendon Press, 1971); E. P. Hennock, 'Poverty and social theory in England: the experience of the eighteen-eighties', *Social History* 1 (1976), 67–91; E. P. Hennock, 'Concepts of poverty in British social surveys from Booth to Rowntree', in M. Bulmer (ed.), *The social survey in historical perspective* (Cambridge: Cambridge University Press, 1991), pp. 189–216.

highlighted in the 1840s and 1850s – in the work of Mayhew, amongst others – but the ‘discoveries’ of the 1880s reached a broader audience and achieved a higher profile. This was, in part, simply because they came later. Widely accepted narratives about working-class progress, deeply inscribed in the popular liberalism of the 1860s and 1870s, were challenged by the survival of industries paying so poorly.¹³ The elevation of the working-class standard of living and the growth of trade unionism were revealed as limited in scope. Discussion of ultra-low pay in the 1880s often focused upon the role of the middleman in driving down wages, indicting a traditional villain for radicals. This conception of sweating, as the survival of the eighteenth century into the contemporary world, as Tawney would later put it, did not disappear, but it was challenged by an increasing emphasis upon the modernity and obduracy of extreme low pay.¹⁴

Poverty surveys popularised the use of sample budgets to arrive at numerical definitions of the subsistence wage.¹⁵ The ‘plea’ for the living wage would draw heavily upon the authority of ‘scientific’ investigation in determining the required level of earnings.¹⁶ Revelations about the scale and severity of hard-working poverty required explanation. Debates about sweating in the 1890s and 1900s demonstrate sharp difference over its causes, character and scope.¹⁷ It is important to acknowledge, however, that growing recognition of its compatibility with industrial modernity extended into some conventional, even canonical, political economy. In his classic textbook of the science, Sidgwick took the persistence of extreme low pay as one example of how rational individual actions could produce enduringly suboptimal aggregate outcomes.¹⁸ Similarly, Pigou’s work acknowledged the persistence of sub-market wages, resulting from tradition and custom, which might require an externally imposed solution.¹⁹

¹³ On narratives of progress in popular Liberalism, see E. F. Biagini, *Liberty, retrenchment and reform: popular Liberalism in the age of Gladstone* (Cambridge: Cambridge University Press, 1992).

¹⁴ R. H. Tawney, *Studies in the minimum wage: The establishment of minimum rates in the chain-making industry under the Trade Boards Act of 1909* (London: G. Bell, 1914), p. 5.

¹⁵ For instance, M. Pember Reeves, *Round about a pound a week* (London: G. Bell, 1913).

¹⁶ For example, P. Snowden, *The living wage* (London: Hodder and Stoughton, 1912), p. 39.

¹⁷ The work of Sheila Blackburn is important here. See S. Blackburn, ‘Ideology and social policy: the origins of the Trade Boards Act’, *Hj* 34 (1991), 43–64; S. Blackburn, ‘Working-class attitudes to social reform: Black Country chainmakers and anti-sweating legislation, 1880–1930’, *International Review of Social History* 33 (1988), 42–69; S. Blackburn, ‘Employers and social policy: Black Country chain-masters, the minimum wage campaign and the Cradley Heath strike of 1910’, *Midland History* 12 (1987), 85–102.

¹⁸ H. Sidgwick, *Principles of political economy* (London: Macmillan, 1883), p. 407.

¹⁹ A. C. Pigou, ‘A minimum wage for agriculture’, *Nineteenth century and after* (1913),

The best-known argument of Sidgwick's *Principles* is perhaps his account of the redistributive implications of the law of diminishing utility. Predictably, Sidgwick argued there were many qualifying considerations, but more radical advocates of both progressive taxation and the minimum wage drew upon the utilitarian case for redistribution. It was Pigou in *Wealth and Welfare* who would develop Sidgwick's insight into a form of welfare economics. Pigou founded his analysis upon Marshall's notion of the national dividend, and argued that, in the normal course of things, the state of the national dividend, and that of the real earnings of the poor, would be equivalent. The distinction between wealth and welfare, allied to expectations of diminishing utility, implied the desirability of a more equal resource distribution.²⁰ The question Pigou analysed so carefully was whether and how this might be achieved. As we shall see, Pigou's interest in eliminating sub-market wages did not extend to support for an 'artificial' minimum wage. Direct transferences through taxation were better calculated to promote economic welfare than indirect transferences through wages.²¹ The point to note here, however, is the footholds offered by an embryonic welfare economics to those wishing to challenge market idolatry and to defend redistribution.

Opposition to wage floors reflected a variety of perspectives. Individualist objections to state interference in the market would recur, with diminishing frequency, throughout the period. The claim that some wages were unnaturally low aroused resistance from opponents of the doctrine that exchange might constitute robbery.²² Central to the dispute was the impact of raising wages upon employment. Edwin Cannan in the pages of the Oxford Christian Social Union's *Economic Review* summarised many of the key points in a sharply phrased review of A. J. Carlyle's study of *Wages*. Carlyle offered an account of wage levels in which enhanced efficiency resulted from improved remuneration.²³ Cannan suggested, however, that the ensuing increased output would reduce commodity prices. It was, he suggested, far from clear that an ensuing increase in sales would compensate for the fall in price. The only way round this was to restrict the numbers employed in low-wage industries so throwing some out of work.²⁴ In debates about the minimum wage, questions of prices and employment were crucial.

Concern about the impact on commodity prices of statutory minimum wages recurred throughout late nineteenth and early twentieth century

²⁰ A. C. Pigou, *Wealth and welfare* (London: Macmillan, 1912), pp. 293–4.

²¹ *Ibid.*, pp. 349–50.

²² For examples of this, see the discussion of Edwardian parliamentary debates in section IV.

²³ A. J. Carlyle, *Wages* (London: A. R. Mowbray, 1912), *passim*.

debates. Proponents of the minimum wage often pointed to profits as a possible source of greater earnings for workers. A more sophisticated version of this was to link the minimum wage to measures to restrict rental incomes.²⁵ It was also argued that productivity gains would eliminate the need for employers to raise prices. Price rises were, however, also sometimes defended in productionist terms. Perceived trade-offs between producer and consumer interests were integral to the developing debate about the minimum wage. Discussion was both protracted and involved. One line of argument was that the gains to very low paid producers outweighed the minor increase in costs to better-off consumers. Anti-sweating campaigners echoed older radical distinctions between the body of producers and the larger population of consumers which included, as Cadbury and Shann observed, 'both wage-earners and non-wage earners'.²⁶ The question of *who* would pay higher commodity costs received various answers. In the 1906 catalogue of the anti-sweating exhibition organised by the *Daily News*, contributors insisted that sweated goods were purchased by all classes of the community, even the richest.²⁷ By contrast, opponents of the minimum wage, notably Helen Bosanquet, suggested that sweated goods were bought only by the poorest, who would be hit hard by price rises.²⁸ Pigou, revealingly, drew heavily upon Bosanquet's views in his discussion of the issue.²⁹ However, Pigou also analysed the contribution of wages to production costs, concluding that, with the clear exception of coal-mining, this was often lower than commonly suggested.³⁰ Radical tariff reformers focused in particular on the position of exporters and the role of foreign competition, urging the necessity of excluding sweated imports and providing tariff support for industry.³¹

Economists like Pigou and Cannan recognised the need to assess elasticity of demand in gauging the impact of minimum wage laws. Given artificial wages, highly elastic product demand would increase the elasticity of the demand for labour. The danger was that the institution of

²⁵ This move was made in Land Enquiry Committee, *The Land – the report of the Land Enquiry Committee* (1913), vol. I: *Rural*, p. 62.

²⁶ E. Cadbury and G. Shann, *Sweating* (London: Headley Bros., 1907), p. 123.

²⁷ R. Mudie Smith (ed.), *Sweated industries: Being a catalogue of the 'Daily News' exhibition* (London: Burt, 1906).

²⁸ There is a useful discussion of Bosanquet's views in A. M. McBriar, *An Edwardian mixed doubles: The Bosanquets versus the Webbs: a study in British social policy 1890–1929* (Oxford: Clarendon Press, 1987), esp. p. 125.

²⁹ Pigou, *Wealth and welfare*, pp. 332–3. ³⁰ *Ibid.*, pp. 323–4.

³¹ See E. H. H. Green, *The crisis of Conservatism: The politics, economics and ideology of the British Conservative Party, 1880–1914* (London: Routledge, 1995), pp. 257–8; E. H. H. Green, *Ideologies of Conservatism: Conservative political ideas in the twentieth century* (Oxford: Oxford University Press, 2002), pp. 88–9, 91–3. For an example of this argument being made in Parliament, see *HC Debs*, 13 March 1913, col. 488.

minimum wages would increase unemployment. In examining the impact of productivity gains, Cannan noted the issue of demand elasticity, though here elasticity of demand would lead to an increase in sales resulting from a decrease in prices.³² Pigou and Cannan's concern about unemployment was exacerbated by their scepticism about the availability of productivity gains due to improved remuneration.³³ Many critics of minimum wage legislation, including a number on the political left, feared that less efficient workers would be unable to justify their earnings and would consequently lose their jobs.

Attitudes varied, however, to the prospective unemployed. Questions of gender and views of the poor were at the heart of such differences.³⁴ Fabians particularly insisted that workers unable to earn the minimum wage should be extracted from the labour market, where their presence served merely to depress the wages of the more able. A clearer separation was required between the (fully) employed and the unemployed, and a new approach needed to the latter. Throughout the debates, the intermittently employed male worker was castigated as a debased engine of reduced wages in the trade. Such views were apparent in analyses of dock labour in the 1880s, and firmly enshrined in the categories of Booth's massive study of London life and labour. Female homework was equally unwelcome to many on the left. For many Fabians and trade unionists, a male breadwinner model was apparent in the desire to secure a living wage to men and to exclude female homeworkers from the labour market. This was, however, a matter of considerable dispute. Pigou suggested that a 'fairly strong case' could be made out for so regularising the labour market, but other economists, and some on the left like Margaret MacDonald, emphasised the value of work, however poorly paid, to the individuals concerned.³⁵

In the analytical framework adopted by Pigou, poor remuneration amongst the 'lowest grades of casual and unskilled labour' reflected the operation of non-economic factors in producing a permanent excess in numbers assembled. In this peculiar segment of the labour force, normal wages were less than efficiency merited.³⁶ His diagnosis of low pay amongst agricultural labourers emphasised the tyranny of custom,

³² Cannan, 'Dr Carlyle on wages', 185.

³³ *Ibid.*, 190; Pigou, *Wealth and welfare*, pp. 342–3.

³⁴ Much important work on the history of minimum wages has focused upon the issue of gender. See Hart, *Bound by our constitution*, and S. Blackburn, "'No necessary connection with homework": gender and sweated labour, 1840–1909', *Social History* 22 (1997), 269–85.

³⁵ Pigou, 'A minimum wage for agriculture', p. 58; M. MacDonald, 'Sweated industries and wages boards', *Economic Journal* 18 (1908), 143.

³⁶ Pigou, *Wealth and welfare*, p. 331.

and the dominance of the extra-economic.³⁷ Whereas labour within the economy as a whole could be analysed in terms of perfect mobility, the same was not true of low-grade labour. This separation was fundamentally challenged by more heterodox economists, such as J. A. Hobson and the Webbs.

Hobson and the Webbs recommended different versions of the minimum wage, but the arguments they developed were often combined by its champions. At the anti-sweating conference organised in the wake of the *Daily News* exhibition, Sidney Webb summarised the sections of *Industrial Democracy* devoted to the national minimum. It was left to Hobson to illuminate the impact of the minimum upon employment.³⁸ Both offered analyses that departed in important ways from Cantabrigian convention; but where Hobson usually pointed up such differences, the Webbs, perhaps in keeping with the doctrine of permeation, rarely missed an opportunity to highlight common ground with economic authority.

Both Sidney Webb and J. A. Hobson participated in the extension of the theory of rent evident in the burgeoning Anglo-American economic journals of the late 1880s and early 1890s. In their earliest work, all factors in production were held to have a margin of cultivation and departures from this were explained as a form of rent or surplus.³⁹ Hobson's article outlining 'the law of three rents' was regarded as closely akin to the work of J. B. Clark, but he became an insistent critic of the trajectory of marginal productivity theory and especially its neglect of monopolistic considerations.⁴⁰ By the end of the 1890s, Hobson was examining the scope for bargaining offered by the monopoly rents of scarcity and highlighting differentials in negotiating power.⁴¹ In *Work and Wealth*, published in 1914, Hobson had identified marginalism as the modern mathematical incarnation of 'the simple system of natural liberty'.⁴² Where marginalist analysis rested upon mobility, divisibility and statical

³⁷ Pigou, 'A minimum wage for agriculture', p. 53.

³⁸ National Anti-Sweating League, *Report of conference on a minimum wage* (London: Co-operative Printing Society, 1906).

³⁹ S. Webb, 'The rate of interest and the laws of distribution', *Quarterly Journal of Economics* 2 (1888), 188–208; J. A. Hobson, 'The law of the three rents', *Quarterly Journal of Economics* 5 (1891), 263–88.

⁴⁰ 'The law of the three rents' was published alongside J. B. Clark's 'Distribution as determined by a law of rent'. The editor of the *Quarterly Journal of Economics* drew attention to their similarities. See R. E. Backhouse in his edition of J. A. Hobson, *Writings on distribution and welfare* (London: Routledge, 1992), p. vi.

⁴¹ J. A. Hobson, 'The element of monopoly in prices', *Quarterly Journal of Economics* 6 (1891), 1–24; J. A. Hobson, 'The economics of bargaining', *Economic Review* 9 (1899), 20–41.

⁴² J. A. Hobson, *Work and wealth: A human valuation* (London: Macmillan, 1914), p. 172.

equilibrium, Hobson detected the ubiquity of unproductive surplus. As with rent from land, all forms of surplus were both economically functionless and socially constituted.⁴³ Indeed, the scale and character of surplus led to irregularity of production and threatened the capacity of the economy even to cover the costs of maintenance, as the prevalence of sweating made clear. Hobson acknowledged the capacity of collective bargaining to raise wages, but drew attention to those outside its pale. Similarly, while he gave credence to high-wage theory, he insisted that it provided no magic solution to the problem of the profitability of sweating for some employers.⁴⁴

The Webbs famously scrutinised the origins of low pay in *Industrial Democracy*. Having dispensed with the wage fund and Malthusianism, modern conventional wisdom was summarised in terms of marginal productivity and rents. The main focus was upon the indeterminacy of the wage bargain, especially in the real economic world of combination rather than perfect competition.⁴⁵ In characteristic fashion, the Webbs urged economists to study industrial structure in order to understand the higgling of the market.⁴⁶ Close examination revealed, they suggested, the advantages of trade union methods. While workers were systematically disadvantaged *vis-à-vis* capitalists, the latter sought escape from the tyranny of the consumer in the creation of monopoly. Where the capitalist could not maintain prices, sweating offered the possibility of reducing wages. Those workers lacking the power of combination to maintain and elevate a definite standard of life faced the prospect of marginal wages.⁴⁷

The capacity of trade unions to establish the common rule played a key role in the regulated trades. In addition to augmenting the efficiency of workers, wage minima compelled employers to innovate in their use of capital, whether through new machinery or superior organisation. Higher wages placed greater demands on business talent, rewarding the able and penalising the inefficient employer. Potentially, rent would be appropriated by workers. Regulated industries attracted human capital away from the unregulated trades. Unregulated trades might become, as the Webbs put it, parasitic.⁴⁸

The notion of parasitism was perhaps the Webbs' most distinctive contribution to economic discussion of the minimum wage. It proved both influential and controversial. Parasitism was outlined by analogy with the bounty, whereby an industry was subsidised by the community. Trades that failed to meet the needs of the workforce were dependent upon

⁴³ Hobson, *Work and wealth*, pp. 180–9. ⁴⁴ Hobson, *Work and wealth*, pp. 179, 197.

⁴⁵ S. and B. Webb, *Industrial democracy*, 2nd edn (London: Longmans, 1911), pp. 618–53.

⁴⁶ *Ibid.*, p. 655, f2. ⁴⁷ *Ibid.*, pp. 658, 662, 676, 686. ⁴⁸ *Ibid.*, pp. 721–39.

other trades to sustain human capital. The Webbs cited Mill's account of American slavery, with its reliance upon replenishing the stock, which he compared to an industry in receipt of a bounty. The damage done by parasitism was said to far exceed that wrought by sugar bounties abroad. Parasitical trades were a warped expression of modern industrial arrangements which, unchecked, would grow, damaging self-supporting trades and reducing the national product. The only solution was to institute a minimum wage, so extending the remit of the common rule and eliminating sweating.⁴⁹

The arguments of the Webbs, particularly about parasitic industries, attracted criticism from the more orthodox. Writing in the *Economic Journal*, Lees-Smith argued that there was no supply of unpaid labour since 'the wage depends on the net product of labour'.⁵⁰ This was, however, precisely what the doctrine of the surplus denied; wages reflected marginal productivity modified by rent rather than net product. Marshall's own objections to the Webbs' use of his views were detailed in later editions of the *Principles*. He stressed the rarity of genuine rents of ability, and sought to clarify the conditions of irremediable scarcity and the absence of substitutes central to rent.⁵¹ Similarly, he sought to correct the Webbs' reading of marginalism, urging that the net product 'to which the wages of the normal worker approximate' was 'the net product of a worker of normal efficiency'. Generalisations from the least efficient worker misunderstood marginalism; the factors shaping normal wages were as well understood by taking the highly efficient worker as the marginal case. For Marshall, normal wages reflected 'net product graduated according to efficiency'.⁵² Nor was he enamoured of their 'faulty' doctrine of parasitism. Marshall's brief comments seem primarily concerned with female homework. He stressed that the family was often the unit of labour mobility and that the incomes of its members had to be viewed in the aggregate.⁵³ In his analysis of the impact of the common rule, he worried particularly that strict interpretations of its meaning would lead to the ejection of less efficient workers, such as elderly men, from the workforce. For the Webbs, however, this was precisely one of its virtues.⁵⁴

⁴⁹ *Ibid.*, pp. 749–66.

⁵⁰ H. B. Lees-Smith, 'Economic theory and proposals for a legal minimum wage', *Economic Journal* 17 (1907), 509.

⁵¹ A. Marshall, *Principles of economics*, 9th variorum edn (London: Macmillan, 1961), vol. I, pp. 577–9.

⁵² *Ibid.*, pp. 705–6. ⁵³ *Ibid.*, p. 715, fl.

⁵⁴ For Marshall on wages of elderly men, see *ibid.*, pp. 707–8. Contrast with S. and B. Webb, *Industrial democracy*, pp. 717–18 on 'sentimental' objections.

Marshall suggested that proponents of a minimum wage for the residuum underestimated its drawbacks, particularly its impact on employment. There was, however, much in Marshall that was grist to the Webbs' mill. Marshall emphasised the significance of sticky supply factors in fixing the price of labour, and discussed the growth of an unskilled residuum with its low standard of life.⁵⁵ Much attention was paid to the role of bargaining in determining wages, and the weakness of labour, particularly those without skill or organisation, was highlighted.⁵⁶ The approximation of market to normal price operated more gradually than for other factors. Combination and monopoly played a distinct role in the relations between capital and labour.⁵⁷ Recognising the limitations of static analysis, Marshall explored the operation of dynamic factors, repeatedly noting the generally beneficial impact of higher wages upon efficiency.⁵⁸

If parasitism was the Webbs' most influential heresy, then underconsumptionism was, of course, Hobson's equivalent. As Peter Clarke has shown, the causes and impact of underconsumption in Hobson's economics changed subtly over time.⁵⁹ The living wage was one means of addressing the demand deficiency in the economy. It has been rightly noted that support for Hobson's views was greater in the United States and on the left than amongst liberals.⁶⁰ Further support for this assessment is provided below. It is clear, though, that underconsumptionist doctrines played a genuine role in the extra-parliamentary debate about sweating after 1900.

Hobson and the Webbs endorsed different versions of the minimum wage. Hobson, like his fellow New Liberal L. T. Hobhouse, proposed a living wage, varying geographically and by occupation, set at a level to foster functional civic engagement.⁶¹ The Webbs advocated a lower subsistence minimum across the whole industrial field. All portrayed wage floors as both equitable and efficient. Minimum wages would redistribute part at least of the surplus towards workers.

The verdict of the economists upon the minimum wage was more complex than is sometimes recognised. There was undoubtedly stronger and wider support for solutions aimed at particular industries rather than

⁵⁵ Marshall, *Principles*, vol. I, pp. 714–15. ⁵⁶ *Ibid.*, pp. 559–69.

⁵⁷ *Ibid.*, pp. 573–4, 627–8.

⁵⁸ For reflections on high wages, see *ibid.*, pp. 510, 531, 550, 560.

⁵⁹ P. F. Clarke, 'Hobson and Keynes as economic heretics', in M. Freeden (ed.), *Re-appraising J. A. Hobson: humanism and welfare* (London: Unwin Hyman, 1990), pp. 100–16.

⁶⁰ Clarke, *Liberals and Social Democrats*, p. 48.

⁶¹ Compare the remarks of J. A. Hobson and S. Webb reported in National Anti-Sweating League, *Report of conference*, pp. 31, 57–8.

more general measures. Persistent problems of poor pay could result from low efficiency that weakened bargaining power, and so further depressed wages, and perhaps efficiency. Imperfect mobility, custom and differential bargaining power led to marked variations in market wages which might require adjustment to restore normal levels. Orthodox accounts offered important toe-holds for minimum wage advocacy. Reformers seized upon acknowledgement of deviations between market and normal wages, and capitalised upon suggestions about the relationship between higher wages and enhanced productivity. The last issue, in particular, was central to the developing argument. Would unsupervised spending lead to greater efficiency? And what about the efficiency of those who failed to make the new grade and so lost work? Differences over these questions often determined views about wage regulation.

Economists like Pigou regarded distortions in wage rates as relatively rare. He examined the impact of artificial wages, above natural levels, concluding that, in some instances, these could affect transfers from the better off. However, in general, such measures, by diverting the economy from its natural channel and reducing the wages of superintendence, would lower the national dividend, and so would not in the end benefit the poor.⁶² Those who advocated a wide-ranging wage regulation disagreed, and their disagreement reflected, as we have seen, fundamentally different views of the economy, according to which redistribution would substantially increase wealth as well as welfare.

II

Attitudes to the minimum wage within the labour movement were far from straightforward. State intervention continued to arouse suspicion in a movement that retained much radical scepticism about the motives and consequences of government action in the industrial sphere. Some unionists feared, for instance, that minimum wages would become maximum wages.⁶³ Support grew in the 1890s and 1900s for intervention in the case of sweated industries, but prominent voices reiterated their doubts about such schemes.⁶⁴ Real divisions were evident over the principle and form of minimum wage regulation. Snowden and MacDonald,

⁶² Pigou, *Wealth and welfare*, pp. 342–3.

⁶³ D. Tanner, 'Ideological debate in Edwardian labour politics: radicalism, Revisionism and socialism', in E. F. Biagini and A. J. Reid (eds.), *Currents of radicalism: Popular radicalism, organised labour and party politics in Britain, 1850–1914* (Cambridge: Cambridge University Press, 1991), p. 288.

⁶⁴ For Labour party support for action in sweated trades rather than a more general motion, see *Report of annual Labour party conference* (1908), p. 74.

sometimes treated as partners in revisionism, differed significantly on wage floors.

The politics of economics were very evident in labour discussions of state wage regulation. Speaking at the 1913 Labour party conference on a motion to distinguish between industrial and political questions, James O'Grady insisted that this was impossible, since issues like the minimum wage were both.⁶⁵ Much labour analysis of capitalism focused primarily upon the necessity of nationalisation, arguing that the emergence of trusts required public ownership in order to deliver decent wages without sweating the public. As Pat Thane has rightly observed, social reform within a predominantly free market framework proved controversial for parts of the Edwardian left.⁶⁶ Scepticism was directed to the scope, motives and consequences of legislation such as that creating labour exchanges. Reform could distract from the scale of social injustice and the need for wholesale change, particularly in the ownership of the means of production. It was, however, difficult for a party of the left to oppose legislation that alleviated the hardships of the labouring poor. Discussion of the party's purpose and performance in the Commons was persistent. Minimum wage legislation, categorised as inherently socialist by Hardie, could also be seen as a palliative, or worse.⁶⁷ Evidence of support by some employers for wage floors confirmed the views of those who argued that their primary effect would be to transfer work from factories to households.

The most developed defence of wide-ranging state regulation of wages was provided by Snowden, particularly in his 1912 study of *The Living Wage*.⁶⁸ Snowden argued the living wage was rooted in 'the natural right of a human being to live in this world', which required 'the command of the things which keep a human being alive'. He was explicit about the appeal of the living wage 'to the moral and Christian faith of the nation'.⁶⁹ The principle of the living wage as a 'first charge' on industry proved attractive to incarnationalist proponents of the social gospel in both Britain and the United States. Having narrated the growth of the demand for the living wage amongst trade unionists, Snowden contrasted

⁶⁵ *Report of annual Labour party conference* (1913), p. 103.

⁶⁶ P. Thane, 'The working class and state "welfare" in Britain, 1880–1914', *Hy* 27 (1984), 897.

⁶⁷ For Hardie's judgement, see P. Thane, 'The Labour party and state welfare', in K. Brown (ed.), *The first Labour party* (London: Croom Helm, 1985), pp. 183–207. For a contrasting view of the socialist credentials of the minimum wage, see Fred Henderson, quoted in Tanner, 'Ideological debate in Edwardian labour politics', p. 284.

⁶⁸ Snowden summarised many of the arguments of *The Living Wage* in a subsequent parliamentary speech: *HC Debs*, 13 March 1913, cols. 458–79.

⁶⁹ Snowden, *Living wage*, p. 6.

the unions' appetite for state regulation of working conditions with their anxieties over state intervention in wage rates. Snowden's statistical analysis of wage and price trends revealed the growing power of capital, apparent in the stagnation of wages and the rise in prices since 1900. Building on the precedent of developments abroad and the passage of the Trade Boards Act in 1909, Snowden portrayed the movement towards compulsion as a burgeoning trend that promised deliverance from 'the cost and futility of strikes'.⁷⁰

The Living Wage nicely embodies Snowden's complex ideological position. Prefaced by a recommendation by the radical H. A. Spender, Snowden's strictures on the wastefulness of strikes were a clear reprimand to industrial unionists, reflecting the tensions of the labour unrest of 1910–13. The purpose of the book, however, was to defend universal – occupationally and geographically flexible but gender-neutral – minimum wages. Snowden's diagnosis of the ills of contemporary capitalism was evident in the caveat that 'so long as the land and the great industrial monopolies are privately owned there will always be difficulty in getting any reform which will be more than a meagre benefit'. His appreciation of political realities was apparent in the recognition that labour agitation for a 30s a week minimum wage, while 'excellent propaganda', was 'open to destructive criticism'. In the long term it would be possible to surpass the 30s level, but this required 'gradual steps' to enable trades to adapt to changed circumstances.⁷¹

Correctly approached, the living wage would establish 'the economy of high wages'. Snowden's analysis bore a complex relationship to the species of radical argument explored earlier. He identified five possible sources of higher wages: profits, relief due to appropriation of rents, efficiency gains, economies and price rises. Snowden's primary emphasis lay upon efficiency gains. Higher wages enhanced the physical and mental capacity of workers.⁷² The latter was particularly important given the increasing demands imposed by technological progress, and enabled workers to operate more machines simultaneously. This understanding of economic change was common in the period.⁷³ Snowden further noted the incentive to innovation provided for employers by higher wages and the advantages of allocating labour to the most capable employers. In Fabian fashion, he claimed that the elimination of employers reliant upon paying starvation wages to 'subsidised labour' would aid the better class of employers and benefit the community.⁷⁴ Snowden accepted that the

⁷⁰ *Ibid.*, pp. 16, 59–69, 79–89. ⁷¹ *Ibid.*, pp. 139, 134, 139. ⁷² *Ibid.*, pp. 142, 145–53.

⁷³ See Thompson, 'The reception of Lujo Brentano's thought'.

⁷⁴ Snowden, *Living wage*, p. 147.

problem of unemployment would not be solved by wage floors. However, contrary to the views of a critic like Cannan, Snowden posited that ‘though the output of work per workman would be increased, there would be more and not less employment’. His explanation had a Hobsonian ring. Higher wages would increase demand, stimulate staple trades and thus enlarge employment. If those on ‘unearned incomes’ found their spending power reduced, this was all to the national good, ‘for it would be transferring some part of the national dividend from unproductive to productive uses’.⁷⁵

On the basis of his analysis of efficiency and employment, Snowden claimed that ‘as a rule’ higher wages would not come from profits. In the case of industries largely sheltered from foreign competition, like transport, coal-mining and construction, Snowden insisted that reducing profits and raising wages would beneficially shift expenditure from luxuries to necessities.⁷⁶ Nor would nominal wage gains be undermined by ensuing price rises. Outside of rings and corners, the potential for price rises was limited. Snowden found no correlation between movements in wages and prices at the overall level, and followed Marx’s contention that factors other than wages largely influence prices. Whilst the supply of gold had an impact on prices, Snowden attributed the bulk of Edwardian inflation to pressure on natural resources and the burdens of militarism.⁷⁷

In contrast to Snowden, Ramsay and Margaret MacDonald were leading sceptics about both trade boards in particular and statutory minimum wages more generally. On this question, their articles, while mostly separately authored, displayed a unity of argument comparable to that of the Webbs. The provenance of their doubts was complex. Both tended to identify sweating with some forms of homework. Margaret’s research into female homework had led her to advocate inspection as the best form of regulation. The preference for inspection over wage modification had its origins in a particular understanding of sweating, which emphasised conditions as much as pay and castigated wage regulation for its failure to grapple with the factors underpinning sweated female labour.⁷⁸ Ramsay MacDonald accepted that ‘an industry which can exist only on sweated labour is not good for the State’ and that high wages usually elevated efficiency. Sweated homework depended, however, upon the economy of low pay. Enforcing higher pay would eliminate disorganised labour: ‘the trade and the community would be enormously benefited, but “these poor people” would not be benefited’. Such philanthropy, he argued, was in

⁷⁵ *Ibid.*, p. 148. ⁷⁶ *Ibid.*, pp. 149, 152. ⁷⁷ *Ibid.*, pp. 150–1.

⁷⁸ M. MacDonald, ‘Sweated industries and wages boards’.

fact 'cruelty of a superfine character'.⁷⁹ Much of the MacDonaldis' criticism focused on the details of the machinery of wage regulation. They highlighted the administrative difficulties resulting from the disorganised and dispersed character of homework. Proposals to regulate homework alone threatened to extend pauperism, but attempts to regulate both home and factory work would require differential rates of pay to equalise earnings that were likely to lead to dependence on the Poor Law for many homeworkers.⁸⁰

Much of the MacDonaldis' quarrel with wage boards reflected technical challenges in regulating homework, and their pessimistic reading of the evidence from Victoria and New Zealand. There were, however, larger issues at stake. Like the Bosanquets, the MacDonaldis argued that sweated goods were primarily sold cheaply to poor consumers.⁸¹ Wage rises might consequently prove to be nominal rather than real. The conditions of homework so disadvantaged its practitioners in their competition against factory labour that its tenuous profitability was always likely to depend upon minimal wages. The Webbs, of course, anticipated that their subsistence minimum would be combined with state action to deal with the fate of the unemployable. In keeping with their focus on the particular problems of female homework, the MacDonaldis approached the question from the other side: reducing the need to work, rather than enhancing its reward, was the remedy for 'the worst suffering in sweated home industries'.⁸² Pensions, child maintenance and the right to work offered the way forward by addressing the various and distinct causes of sweating. By contrast, trade boards were a mechanical panacea, unfitted to the organic interdependence of the industrial system.⁸³

There was, of course, considerable overlap between Ramsay MacDonald's and Snowden's economic views. Introducing a Labour amendment to the Address in 1913, Snowden insisted that the minimum wage, while desirable, was 'a temporary palliative' since substantial progress demanded an assault upon private ownership.⁸⁴ In parliamentary debates on the Poor Law and tariff reform, MacDonald argued that unemployment was a chronic condition under the competitive system.⁸⁵ Tackling it required action on a number of fronts. Maldistribution was fundamental to these difficulties. Legislation to enforce the right to work would increase home demand. Other measures, amongst which land reform and nationalisation were prominent, were needed to rectify the fluctuating

⁷⁹ JRM, 'Sweating and wages boards', *Nineteenth Century* 64 (1908), 750–1.

⁸⁰ *Ibid.*, 752. ⁸¹ *Ibid.*, 753; M. MacDonald, 'Sweated industries and wages boards'.

⁸² *Ibid.*, 145. ⁸³ JRM, 'Sweating and wages boards', 761–2.

⁸⁴ *HC Debs*, 13 March 1913, col. 466.

⁸⁵ D. Marquand, *Ramsay MacDonald* (London: Jonathan Cape, 1977), pp. 104–5, 453–4.

and inadequate demand that resulted from the prevailing distribution of resources.⁸⁶ It is not, perhaps, surprising that critics like Maddison contrasted MacDonald's advocacy of the right to work with his scepticism about trade boards.⁸⁷ MacDonald stressed, though, the limited wage benefits implied by labour proposals and noted the complex origins of unemployment.⁸⁸ Organic interdependence was a leitmotif of MacDonald's evolutionary socialism; strategic vision and tactical requirements conventionally coincided in the emphasis upon gradualism.

Approaches to wage regulation varied significantly within the labour movement.⁸⁹ Trade boards did not command universal acclaim. Those who supported them might have different conceptions of their role. Henderson's parliamentary advocacy was firmly cast in terms of the need to ensure market wages prevailed.⁹⁰ Will Crooks and Thorne, amongst others, rooted the demand for a 30s minimum in the moral right to a living wage and the impact of inflation. Lansbury cited the views of Bishop Gore and John Ruskin in advocating the minimum wage as a requirement of human dignity.⁹¹ Part of the attraction of a uniform rate to its advocates was the propaganda value of a headline figure. While many socialists agreed that the living wage for all would come, disagreement was evident over whether its achievement would precede the advent of socialism or result from its arrival.

Amongst trade unionists, differences were also apparent. Attitudes ranged from strong support for the minimum wage to scepticism about the very principle. Disagreement could be found within a single industry. North-Eastern miners' attachment to the link between prices and wages was not shared by South Wales miners committed to the national minimum.⁹² Many unionists distinguished sharply between the desirability of securing living wages through trade union action and the consequences of their enactment by statute. Evidence of Conservative interest in wage regulation – particularly apparent amongst Chamberlainites – did little to reassure the suspicious. Statutory protection for the non-unionised was often contrasted with the collective self-help appropriate for the organised. Motions supporting trade boards fared better than broader measures. Those who favoured trade boards did so for a variety of reasons. Some were evidently attracted to wage regulation precisely as a means of ending competition from female homework. As Sheila Blackburn has

⁸⁶ *HC Debs*, 23 February 1910, cols. 265–8. ⁸⁷ *Ibid.*, 13 March 1908, col. 32.

⁸⁸ *Ibid.*, cols. 23–4.

⁸⁹ D. Tanner, *Political change and the Labour party 1900–18* (Cambridge: Cambridge University Press, 1990), pp. 58, 75–7, 174, 176–7, 209–11.

⁹⁰ *HC Debs*, 26 March 1909, col. 2083. ⁹¹ *HC Debs*, 15 February 1912, col. 87.

⁹² Tanner, *Political change*, pp. 209–11.

shown, trade unionists within the chain-making industry were prepared to emphasise the supposed moral costs of female labour, in accord with a male breadwinner model of the family economy. As Blackburn further notes, while it is wrong to exclude trade union action from accounts of the origins of trade boards, it is important to recognise the complex motives at work.⁹³

III

In 1912 the Dean of Manchester gave the sermon at the TUC, taking Matthew 13 as his starting point. Bishop Welldon found the key to the relationship between labour and religion in the person of Jesus Christ. In becoming incarnate, He chose the life of a labourer, He knew the toil of manual labour. The dignity of labour partook of the divine, and vice versa. In the parable of the labourers in the vineyard, the preacher found the authority for the living wage, observing that ‘the householder was no sweater’.⁹⁴

Snowden was right to note the importance of religion in fuelling demands for and shaping conceptions of the living wage. In Britain, this was evident in the pages of the Oxford Christian Union’s *Economic Review* and in the publications of the Catholic Social Guild.⁹⁵ In the United States, it was best encapsulated in John A. Ryan’s eulogy of *A Living Wage*, published in 1912. Based at the Catholic University in Washington, Ryan located the basis of the living wage in Catholic doctrine, as loudly proclaimed in recent Papal encyclicals. Ryan’s full title identified his subject as ‘ethical and economic aspects’. Ryan was typical of many, in both Britain and the United States, in linking the two. His arguments demonstrated the lively transatlantic trade in ideas in these years; and suggested a healthy balance of payments on the British side. Ryan’s discussion drew heavily upon the Webbs’ *Industrial Democracy* for its English evidence, and urged, with acknowledgement of Hobson, that ‘we save too much and consume too little’.⁹⁶

Ryan’s primary debt was to his doctoral supervisor, the Wisconsin institutionalist Richard T. Ely. Like his fellow presidents of the American Association for Labour Legislation – Farnham and Seager – Ely had trained in Germany. The influence of German historicism was, of course, a significant factor in the development of American institutionalism.

⁹³ Blackburn, ‘Working-class attitudes’. ⁹⁴ *Annual report of TUC* (1912), pp. 38–9.

⁹⁵ T. Wright and George Milligan, *Practical Social Reform* (London: Catholic Truth Society, 1912).

⁹⁶ J. A. Ryan, *A living wage: Its ethical and economic aspects* (New York: Macmillan, 1912), pp. 37, 168.

Ewen Green has charted the contribution of historicist assumptions to the formation of a conservative national economics in Britain which, in the hands of Joseph Chamberlain or Arthur Steel-Maitland, could embrace minimum wage legislation.⁹⁷ As Mary Furner has emphasised, American institutionalism assumed a variety of forms, which displayed marked differences in their conception of the state. Voluntarists like Hadley or Jenks accorded institutions a crucial role in their work; but, in contrast to Ely or Henry Adams, they stressed the functionality of social evolution and deprecated state interference.⁹⁸ The more statist brand of institutionalism did, particularly through the legacy of Ely, produce some key advocates of minimum wage legislation, most notably John R. Commons in his Wisconsin phase.

Championing gender-neutral minimum wage legislation in Wisconsin, Commons portrayed wage rates as a function of unequal bargaining power. While combination might enable some to approach market wages, weak bargainers required the statutory protection of a minimum wage.⁹⁹ Minimum wages would also encourage employers to compete through innovation rather than by paying workers less. Fabian arguments about parasitism were familiar to American economists, and received considerable support. Prominent minimum wagers like Arthur Holcombe and Henry Seager characterised sweating as parasitic in the Webbs' sense.¹⁰⁰ The charge of parasitism perhaps received a warmer welcome in American than British academia. Explicit criticism, such as that of Frank Taussig, was in scarce supply.¹⁰¹ High-wage theory exercised a similarly broad appeal, as the work of Seager and Commons testifies.

It has been suggested that the minimum wage was more popular amongst economists in the United States than in Britain. In particular, Robert Prasch has argued that leading academic marginalists like John Bates Clark and Frank Taussig were more favourably disposed

⁹⁷ Green, *Ideologies*, pp. 88–9, 91–3.

⁹⁸ M. O. Furner, 'The republican tradition and the new liberalism: social investigation, state building and social learning in the gilded age', in M. J. Lacey and M. O. Furner (eds.), *The state and social investigation in Britain and the United States* (Cambridge: Cambridge University Press, 1993), pp. 183–4.

⁹⁹ M. O. Furner, 'Knowing capitalism: public investigation and the labor question in the long Progressive era', in M. O. Furner and B. Supple (eds.), *The State and economic knowledge: The American and British experiences* (Cambridge: Cambridge University Press, 1990), p. 272; D. A. Moss, *Socializing security: Progressive era economists and the origins of American social policy* (Cambridge, MA: Harvard University Press, 1996), pp. 102–3.

¹⁰⁰ A. Holcombe, 'The legal minimum wage in the United States', *American Economic Review* 2, 1 (1912), 35; Moss, *Socializing security*, p. 106.

¹⁰¹ F. W. Taussig, 'Minimum wages for women', *Quarterly Journal of Economics* 30, 3 (1916), 414–19.

towards the minimum wage than counterparts in Britain like Marshall and Pigou.¹⁰² This runs counter to the distinction often drawn between the welfarist focus on diminishing utility shared by Marshall and Pigou, and the primacy accorded to diminishing returns in Clark's account of distribution.¹⁰³ Whereas Taussig was careful not to identify marginalist analysis with social justice, Clark claimed they were theoretically convergent. However, Clark argued that in the real world ever-larger firms, aided by the existence of unemployment, were able to enforce sub-normal wages upon the unorganised. As well as compulsory arbitration, Clark supported an industry-specific minimum wage, but tied its level to 'that a normal market would itself yield' and explicitly rejected a needs-based living wage.¹⁰⁴ This was closely akin to Pigou's position on rural wages. Pigou was sympathetic to the operation of trade boards in agriculture, so long as they acted to ensure rather than exceed normal wages.¹⁰⁵ Taussig similarly suggested that trade boards might play a role in standardising the wages of women whose labour was characterised by lack of mobility and bargaining power.¹⁰⁶ The bulk, however, of Taussig's analysis was devoted to questioning the standard justifications for wage floors. He argued, not unlike Marshall, that parasitism misunderstood the family economy. His scepticism about the scope and scale of efficiency gains from high wages would have been familiar to readers of Pigou. Taussig also had his doubts about the prevalent institutionalist emphasis upon systemic differentials in bargaining power, and denied that excess profits were ubiquitous in the sweated industries, noting instead that 'low wages are . . . concomitant with the low prices of the product'.¹⁰⁷

Some American advocates of wage floors, notably Ely and Ryan, were sympathetic to Hobson's focus on underconsumption.¹⁰⁸ There is evidence to suggest underconsumptionism made a greater impact on economic debate in the United States than in Britain. John R. Commons came to be critical of Hobson's explanation of cyclical unemployment in terms of persistent inequalities of wealth; but acknowledged the significance of his insistence upon the existence and importance of

¹⁰² R. E. Prasch, 'Retrospectives: American economists in the Progressive era on the minimum wage', *Journal of Economic Perspectives* 13, 2 (1999), 222.

¹⁰³ Furner, 'The republican tradition', pp. 179–80.

¹⁰⁴ J. B. Clark, 'The minimum wage', *Atlantic Monthly* 132 (1913), 297, quoted in R. E. Prasch, 'John Bates Clark's defense of the mandatory arbitration and minimum wage legislation', *Journal of the History of Economic Thought* 22 (2000), 258.

¹⁰⁵ Pigou, 'A minimum wage for agriculture', p. 53.

¹⁰⁶ Taussig, 'Minimum wages for women', 441–2. ¹⁰⁷ *Ibid.*, 419, 426–7, 428–9.

¹⁰⁸ Ryan, *Living wage*, p. 168.

oversaving.¹⁰⁹ In Britain, underconsumptionist doctrines attracted support from some anti-sweating campaigners and Labour politicians. Snowden's defence of the living wage contained elements of an underconsumptionist analysis; Clementina Black's condemnation of sweated labour cast greater working-class demand as the solution to unemployment.¹¹⁰ Whilst underconsumptionist theories secured a measure of academic allegiance in the United States, some of its staunchest proponents came from within the ranks of the labour movement. Ira Steward adopted an underconsumptionist analysis in propounding the necessity of the living wage.¹¹¹ As in Britain, disparate conceptions of the living wage were present in labour discourse. Some proponents regarded the living wage, along with reduced hours, as a means of bringing capitalism to its knees; others aimed to moralise rather than eliminate the competitive system.

However, like their British counterparts, many key US labour organisations were sceptical towards state interference in wage bargaining. Under Samuel Gompers, the American Federation of Labor adopted an increasingly market-oriented approach and distanced itself from the inheritance of labour republicanism.¹¹² Whilst at the state level the AFL could look more favourably upon intervention, both national and local leaders opposed minimum wages for men. Fears that minima would swiftly become maxima, also evident in Britain, were prevalent in the United States.¹¹³ By the turn of the twentieth century, labour activists in both countries were deeply hostile to 'judge-made law'. While in Britain, Parliament provided a route around judicial intransigence, the constitutional position of the Supreme Court obstructed similar action in the United States.

The Court played a crucial part in determining policy from *Muller v. Oregon* in 1908 to *West Coast Hotel Co. v. Parrish* in 1937. Judicial interpretation of the fifth and fourteenth amendments had, according to Oliver Wendell Holmes, imported Spencer's *Social Statics* into the Constitution.¹¹⁴ Appeals to the police power had the potential to override

¹⁰⁹ J. R. Commons, 'Hobson's "economics of unemployment"', *American Economic Review* 13, 4 (1923), 643–4.

¹¹⁰ Snowden, *Living wage*, p. 148; National Anti-Sweating League, *Report of conference*, p. 38.

¹¹¹ L. B. Glickman, *A Living wage: American workers and the making of consumer society* (Ithaca, NY: Cornell University Press, 1997); L. B. Glickman, 'Workers of the world, consume: Ira Steward and the origins of labor consumerism', *International Labor and Working Class History* 52 (1997), 72–86.

¹¹² L. Fink, 'Labor, liberty and the law: trade unionism and the problem of the American constitutional order', *Journal of American History* 74 (1987), 914–15.

¹¹³ Skocpol, *Protecting soldiers and mothers*, pp. 210–13.

¹¹⁴ Quoted in Holcombe, 'The legal minimum wage in the United States', 28.

such considerations, but only for those deemed the weaker sex. Gender was integral to discussions over the minimum wage in Britain; in the United States its importance was paramount.¹¹⁵ The importance of the institutional context is clearly revealed by an examination of parliamentary debates around the minimum wage. It is with these Edwardian encounters that we conclude.

IV

Historical explanation of the revival of statutory wage regulation in Britain has focused principally upon the outcry against sweating. Growing consciousness of poverty, reflected in the appointment in 1889 of the Select Committee on the Sweating System, combined from the 1890s with an increasing recognition of the potential for state action in determining wages. Awareness of the iniquities of underpaid homework developed further in the 1900s; the *Daily News* anti-sweating exhibition and subsequent conference served to fuel an indignation that found statistical confirmation in the results of the 1907 census of production. After outrage came the inevitable parliamentary investigation in the form of the 1908 Select Committee on Homework. Under the auspices of a reforming Liberal government, remedial legislation soon followed.

This narrative has much to commend it, not least its acknowledgement of the role of ideology in explaining the contrasting conceptions of sweating evident in the two Select Committee reports.¹¹⁶ The 1890s functioned as the period of transition in which the chief justifications for wage floors were developed. Liberal victory at the polls in 1906 renewed the energy of reformers and ensured their arguments were warmly received. Ewen Green has supplemented this account by drawing attention to the existence of Conservatives committed to wage minima, and noting that government action on the issue owed much to the pressures of party competition in an era witnessing the rise of social politics.¹¹⁷

The intention here is not to offer an alternative account of the passage of minimum wage legislation, but rather to re-examine the relevant parliamentary debates in the light of the developments in political economy outlined above. The institution of trade boards to set minimum wages in particular industries was predicated upon an analysis of bargaining that emphasised the power of employers to dictate pay to unorganised and immobile workers. Instead of a uniform or banded minimum applied universally, trade boards set industry-specific minima in a small number

¹¹⁵ Skocpol, *Protecting soldiers and mothers*; Hart, *Bound by our constitution*.

¹¹⁶ See the important article, Blackburn, 'Ideology and social policy'.

¹¹⁷ Green, *Crisis of Conservatism*, pp. 257–8.

of sweated occupations. The composition of the boards combined representatives of workers and employers with independent members. As the system expanded, Hobhouse was to take a prominent role in chairing boards and later in defending their performance before the Cave Committee.¹¹⁸ The construction of trade boards ensured that the circumstances of the trade received ample consideration. This approach proved compatible with an emphasis upon the virtues of fixing wages at the level paid by the better employers within the industry. Recommending the extension of trade boards in 1912, Ensor distinguished between a trade and a physiological minimum rate, and urged that the need for flexibility and the dangers of unemployment necessitated the adoption of the former. He argued, however, that trade minima had to accommodate the objective of attaining the physiological minimum: a happy marriage of gradualism and efficiency gains would ensure the physiological minimum was reached without disrupting the functioning of the economy.¹¹⁹ Similar, though less developed, considerations reverberated through the parliamentary debates of the period.

As a number of historians have noted, relatively few Edwardian parliamentarians straightforwardly rejected wage regulation. The chief naysayer was the staunchly individualist Sir Frederick Banbury. Conservatives focused primarily upon the need to prohibit imports of sweated goods and to protect against the export of capital by the creation of tariff walls. Debate about the economic consequences of minimum wages addressed the question of employment.¹²⁰ Fears were expressed that the deleterious impact of job losses would outweigh the benefits of higher wages. This was, however, a minority view.¹²¹ Advocates of wage minima mobilised many of the arguments forged in the economic debates of the 1890s. Much use was made of high-wage theory.¹²² Trade boards would produce the efficiency gains consequent upon better remuneration in industries that were inhospitable to trade unionism. This argument recurred throughout the debates of 1909, and reappeared in discussions of the principle of the minimum wage in 1911 and 1912. Its appeal lay in part in its apparent hard-headedness. Snowden put the case succinctly: 'it pays'. The supposed impact of high wages on productivity could

¹¹⁸ See J. A. Hobson and M. Ginsberg, *L. T. Hobhouse, his life and work* (London: Allen and Unwin, 1931), pp. 56–7.

¹¹⁹ R. C. K. Ensor, 'The practical case for a legal minimum wage', *Nineteenth Century* 71 (1912), 268, 276.

¹²⁰ For instance, W. R. W. Peel in *HC Debs*, 26 March 1909, col. 2109.

¹²¹ For concerns about unemployment and the need for tariff reform, see H. Marks, *HC Debs*, 28 April 1909, cols. 260–4.

¹²² The arguments were clearly set out by H. J. Tennant, *HC Debs*, 28 April 1909, cols. 342–51.

also be recommended in the language of national efficiency: M'Curdy claimed it made sense to improve stock, whether human or equine.¹²³ Embodying the supposed wisdom of the good employer, high-wage theory was presented as empirically well founded. Introducing the Trade Boards Bill, Churchill praised the protection from undercutting offered to the 'good employers' by the establishment of a minimum.¹²⁴ The Fabian emphasis upon its incentivising impact on the employer was imparted through speakers like Sir Thomas Whittaker, who had chaired the Select Committee on Homework.¹²⁵ The charge of parasitism was levelled by both Churchill and H. J. Tennant.¹²⁶ Denunciation of parasites was a hallmark of radicalism. Indeed, the term itself along with its explication in terms of bounties and slavery seemed calculated to appeal to radical sensibilities. However, the appearance of distinctly Fabian leitmotifs should not distract from the prevalence of an older form of high-wage theory, allied to an essentially institutional analysis of the persistence of sweated labour.

The extent of sweating was a matter of dispute, particularly as the politics of the minimum wage developed after 1909. Liberal enthusiasts for land reform portrayed agricultural labour as a form of sweating. The report of the Land Committee, whose membership included the radical land reformer E. G. Hemmerde and the poverty researcher B. S. Rowntree, was forthright in its claim that 'the position [of agricultural labourers] . . . is extremely like that of those employed in the trades . . . under the Trade Boards Act'. A vicious circle of low wages and low productivity prevailed, which, 'economists are agreed', could endure despite the growing prosperity evident by 1913 in British agriculture.¹²⁷ The establishment of wage floors promised a solution to market failure. In some of its conclusions, the report departed, as Pigou noted, from Fabian presuppositions.¹²⁸ The establishment of male wage floors was intended to discourage female labour, but a reduced minimum was proposed for the labour of the elderly. As befitted a report owing much to Rowntree, the proposed level of the minimum wage was a living wage, which acknowledged that the development of new wants both reflected and advanced the march of civilisation. Limits to efficiency gains from

¹²³ On national efficiency, see G. R. Searle, *The quest for national efficiency: A study on British politics and political thought, 1899–1914* (Oxford: Blackwell, 1971); *HC Debs*, 13 March 1913, col. 481.

¹²⁴ *HC Debs*, 24 March 1909, col. 1792.

¹²⁵ Whittaker in *HC Debs*, 6 March 1909, cols. 2114–15.

¹²⁶ Tennant in *HC Debs*, 28 April 1909, col. 344; Churchill in *HC Debs*, 28 April 1909, col. 387.

¹²⁷ Land Enquiry Committee, *The Land*, vol. I, pp. 43, 39.

¹²⁸ Pigou, 'A minimum wage for agriculture', p. 58.

higher pay were accepted, but used to highlight the need for a body able to adjust rents in order to shift the burden of greater costs on to the landlord.¹²⁹ This extension of regulatory powers to a 'judicial body' was nicely calibrated to satisfy the desire to tackle the unearned increment through an apparently objective instrument. Encouraged by the reception of wage floors for agricultural labour, the report on urban land duly suggested a minimum wage for all low-paid labour.¹³⁰

Proposals for a generally applicable minimum emanated from Labour parliamentarians, who sought to capitalise upon the precedent of the 1909 Act. Labour's preference for wages over welfare has been much noted in discussions of the pre-1914 period. This was most evident in its advocacy of the right to work, but also underpinned many speeches on the government's duties as an employer and the advantages of statutory regulation of remuneration. Responding to the Royal Commission on the Poor Law, MacDonald married his insistence upon the primacy of employment with a frankly underconsumptionist analysis of its causes.¹³¹ Explicit deployment of underconsumptionism was fairly scarce in the parliamentary arena. Speaking against Labour's Unemployed Workmen Bill, the Lib-Lab Vivian accepted that maldistribution exacerbated the impact of unemployment on consumer demand but denied that public works offered a solution.¹³² Few Liberals embraced a heresy that many collectivists, including Beveridge, firmly rejected.¹³³ Chiozza-Money was unusual in his conviction that chronic overproduction was a consequence of inadequate wages.¹³⁴ Whereas a number of prominent Liberals adopted the language of parasitism, underconsumptionist logic proved less popular within the party, and was most likely to feature in Labour speeches. It is, however, worth recalling that more established arguments, based upon high-wage theory, appeared more frequently than the nostrums of Hobson or the Webbs.

Concern over casual labour, so prominent in discussions of labour exchanges, recurred in minimum wage debates. This was, undoubtedly, the aspect of Fabian argument that most closely matched contemporary morality. Even so punctilious an opponent of artificial wages as Pigou considered that a 'fairly strong' case could be made out for excluding the irredeemably inefficient from the labour market.¹³⁵ In Boothian fashion,

¹²⁹ Land Enquiry Committee, *The Land*, vol. I, pp. 25, 50, 61.

¹³⁰ Land Enquiry Committee, *The Land*, vol. II: *Urban*, pp. 161–2.

¹³¹ *HC Debs*, 19 May 1909, cols. 495–9. ¹³² *HC Debs*, 13 March 1908, cols. 46–7.

¹³³ J. Harris, *William Beveridge: A biography*, 2nd edn (Oxford: Clarendon Press, 1997), p. 167.

¹³⁴ *HC Debs*, 29 April 1911, col. 1912; *HC Debs*, 13 March 1913, cols. 507–8.

¹³⁵ Pigou, 'A minimum wage for agriculture', p. 58.

many feared the ability of the weakest to depress the wages of the more able. There was widespread acceptance that wage minima could help moralise the labour market. Doubts were voiced about whether aggregate rather than time or piece minima could be successfully enforced, and thus whether underemployment would be eliminated; reformers claimed that a smaller, more regular workforce would be more attractive to employers. Ethical assumptions, especially about 'character', strongly favoured the propagation of the latter position.¹³⁶

The institution of minimum wages for miners in 1912 owed a great deal to the political pressures generated by the coal dispute. Labour MPs argued that a minimum wage was needed to protect miners who were unable to earn a decent wage on account of the difficulties of the seams they worked. It was difficult, given the strength of the unions and variations in pay, to claim that mining was in general a sweated industry. Unlike some of the regulated trades, mining was not confined to a single area. Regional diversity was enshrined in an Act that accorded better with the perspectives of miners in North-East England than South Wales. Labour combined its support for a national minimum with a concerted attack on owners for exploiting the consuming public.¹³⁷ Parliamentary discussion of the minimum wage in coal-mining, shaped by the preceding dispute, reflected the significance to industry and consumers of the price level, as well as fears amongst some over the survival of the trade.

The most developed expression of the plea for the living wage emerged after the First World War, in the ILP's 1926 proposal for *The Living Wage*. Produced by a committee including Brailsford and Hobson, *The Living Wage* provided a more systematic approach to controlling the price level than was evident in most pre-war discussion. Under current conditions, the competitive system inclined to excessive production, while maldistribution constrained consumer demand. Insisting upon the need to increase 'mass purchasing power' the authors suggested that raising wages was the key.¹³⁸ The state was to create the conditions to support trade unions in achieving the living wage. Alert to the danger that wage rises would prove purely nominal, considerable attention was devoted to stabilising prices. Referring the reader to 'the well-known books by Mr Keynes and Mr Hawtrey' detailing the quantity theory of money, the

¹³⁶ S. Collini, 'The idea of character: private habits and public virtues', in *Public moralists: Political thought and intellectual life in Britain 1850–1930* (Cambridge: Cambridge University Press, 1991), pp. 91–121.

¹³⁷ These debates are discussed at length in J. Thompson, 'Representing labour: the labour movement, politics and the public', unpublished paper.

¹³⁸ H. N. Brailsford, J. A. Hobson, A. Creech Jones and E. F. Wise, *The living wage* (London: ILP Press, 1926), p. 11.

report recommended credit control, but argued that more direct price co-ordination would also be required. A state Buying Agency, acting as a national importer of food and raw materials, would play a key part in regulating prices. Export trades would benefit from efficiency gains resulting from better-paid workers and better incentivised managers, but the report detected a role for international trade agreements.¹³⁹

Over time, *The Living Wage* became increasingly identified with opposition to both Ramsay MacDonald and gradualism; not least by MacDonald. It was not, consequently, to provide the basis for Labour party policy, whether in opposition or government. Its significance here lies in its argument and authorship: both contain echoes of pre-war debates reconstituted under changed circumstances. In particular, its title illustrated the enduring resonance of a moralised conception of the wage bargain that had its greatest impact before 1914.

The debate over the minimum wage embodies the complex relationship between the ethical and the economic in late Victorian and Edwardian Britain. Arguments about regulating wages were inescapably political; whether driven by Pigou's identification of welfare with the national dividend, or by Hobson's Ruskinian approach to work and wealth. Attitudes to wage regulation illuminate the complex relationship between Liberal and Labour intellectuals in this period. Debate over the minimum wage tends to reveal the politics of economics: in Britain and America before 1914, it casts particular light upon the limits to and meanings of progressive politics.

¹³⁹ Ibid., pp. 13, 42, 48–9.