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EDITORIAL

THE "WAGES FUND" AGAIN.

By DANIEL DE LEON

A COLUMBIA University student writes:

> "I enjoyed very much reading your exposure of the wages fund theory in to-day's (June 17) *Daily People*. It exposes the fallacy of the theory clearer than I ever saw it done before. I wish to thank you for the article, but I think you did Prof. Seager an injustice. His book, *Introduction to Economics*, abandons the wages fund theory. See section 159. His presentation is not lucid but Prof. Seager says: 'It follows that the wages fund, under present conditions, is as elastic as any of the funds with which economics has to deal, and no law of wages based upon it can throw much light on the causes which really determine wages.'"

We were familiar with that section 159, and quite so with the above passage which our correspondent quotes from it. It was with one and the other in mind that we said, in the *Daily People* article referred to:

> "If Marx lived to-day he would see that the 'Wages Fund' three-card monte economic sleight-of-hand is still doing duty in this 20th century. He would see 20th century official professors of political economy affecting to discard the theory by discarding some of its most insignificant features, yet preaching—a sort of sleight-of-hand within a sleight-of-hand—in involved verbiage the substance of the 'Wages Fund' theory, witness Professor Seager of Columbia University."

From the *Daily People* exposure of the "Wages Fund" theory, it transpires that the features, the breath in the theory's nostrils, is another theory, the theory that the reward of labor for its efforts is a fatedly limited magnitude, a magnitude which depends for its volume, not upon the choice of the capitalists, but upon economic law.

Assuming a given standard of living, thereby the "value" of labor-power at that time; assuming, furthermore, that there are no perturbing circumstances to perturb the labor-market, and thereby either send the price (wages) of labor-power above, or depressing it below its “value;” finally, assuming that there are no perturbing causes to perturb the market of the commodities produced by labor; assuming all that for the sake of simplifying the problem, then the full value of the output, over and above the value of all that went into the goods, represents the increased wealth that Labor produced.

That increase, Socialism maintains belongs wholly to Labor; and Socialism adds that out of that increase the Capitalist Class makes two heaps—one, the smaller, it pays out as “wages”; the other, the larger, it appropriates, that is, embezzles, as “profits.”

Obviously, if the whole of the increase were retained by its producer, Labor, the wages system would cease to be, and, along with it, capitalism.

Against the above scientific premises, and irrefutable conclusions official bourgeois political economy makes a rush—a variety of rushes.

All the “rushes” proceed from the assumption that Labor is not the sole, or even the main producer of wealth; all the rushes have for their purpose to justify “the share of the capitalist,” hence, to uphold the capitalist system.

The specific purpose of the “rush” of the “Wages Fund” theory is to give a color of mathematical inevitableness to the smallness of wages, “the share of labor.” The theory is what Marx satirized as—“an uncommonly knowing dodge.” The *Daily People* article, referred to by our correspondent, gave an illustration of the dodge. Marx gives another illustration in a passage that merits full quoting as bearing directly upon the issue raised by our correspondent:

> “What silly tautology results from the attempt to represent the capitalistic limits of the labor-fund as its natural and social limits may be seen, e.g., in Professor Fawcett [1865]. ‘The circulating capital in a country,’ he says, ‘is its wages fund. Hence, if we desire to calculate the average money wages received by each laborer, we have simply to divide the amount of this capital by the number of the laboring population.’ That is to say, we first add together the individual wages actually paid, and then we affirm that the sum, thus obtained, forms the total value of the ‘labor fund’ determined and vouchsafed to us by God and Nature. Lastly, we divide the sum, thus obtained, by the number of laborers to find out again how much may come to each on the average. An uncommonly knowing dodge, this. It did not

> prevent Mr. Fawcett saying in the same breath: 'The aggregate wealth, which is annually saved in England, is divided into two portions, one portion is employed as capital to maintain our industry, and the other portion is exported to foreign countries. . . . Only a portion, and perhaps, not a large portion of the wealth which is annually saved in this country, is invested in our industry.'
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> "The greater part of the yearly accruing surplus-product, embezzled, because abstracted without return of an equivalent, from the English laborer, is thus saved as capital, not in England, but in foreign countries. But with the additional capital thus exported, a part of the 'labor-fund' invented by God and Bentham is also exported."[1]

Now, then, in what way does Prof. Seager "abandon" the "Wages Fund" theory?

He accounts for the early rise of the theory among English economists with the "limited importation of food and other goods consumed by the laboring population of England"—an utterly irrelevant circumstance—employers, not even in pluck-me-store-plagued regions, do not usually pay wages in consumable goods—they pay wages with money capital; he then accounts confusedly for the untenableness of the theory with the increased importations of food, etc.; and yet just before he asserts that "no particular objection can be raised to" the theory, as stated by John Stuart Mill, because "it amounts merely to saying . . . that wages in the aggregate cannot exceed that part of capital assigned to wages, or the wage fund."

To say within three pages' space that "the wages fund under present conditions is as elastic as any of the funds with which economics has to deal," and in the same breath say that "no particular objection can be raised" to the Wages Fund theory because "it amounts merely to saying that wages in the aggregate cannot exceed that part of capital assigned to wages, or the wage fund," is a performance that strongly recalls Prof. Fawcett's.

No injustice was done to Prof. Seager. The gentleman discards a discredited name, and keeps the exploded thing.

Transcribed and edited by Robert Bills for the official website of the Socialist Labor Party of America.
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1 [*Capital*, Vol. I, Chap. XXIV, Sec. 5. Swan Sonnenschein edition, pg. 623.—*R.B.*]