

# Protective Taxes And Wages

*William Graham Sumner*

THE DISCUSSION of protectionism in the United States constantly turns upon questions of wages. The question has two forms. The employed argue that protective taxes will make their wages high. The employers argue that protection is necessary for them, because they have to pay high wages. . . .

Protective taxes aim to keep foreign products out of the country, in order to secure the home market to the home producers. These taxes, therefore, make commodities dear, scarce, and hard to get. But the commodities in the country are what constitute the wages of laborers. If the amount of these commodities is rendered smaller than it might be, how can that raise wages, looking of course not at money wages, but at real wages, or the comfort attainable by the laborer? There is no real propriety in discussing wages apart from other elements in the comfort of the population. Protective taxes lessen the available comfort in the reach of all members of society; they curtail the enjoyment which each citizen might get out of each hundred dollars of income. If I dis-

cuss wages as a separate question, I do so only because the question has been so raised, not because I concede that the laborers have any separate interest which can be, or ought to be, discussed by itself. It is pure demagogism to represent it as one of the functions of the Government to make wages high, or in any way to pet the laboring class. The protective taxes press upon all, even upon the protected, who mutually plunder each other. The lowering of real wages, by making commodities scarcer and dearer, is the way in which the wages-class are subjected to their share of the effects of protective taxes. . . .

THE FALLACY in the notion that protective taxes make wages high is the same as the fallacy in the notion that trades-unionism makes wages high. Protection and trades-unionism act on the same principle. Trades-unionism inculcates negligence, slackness, and shirking. It teaches the men not to take pains, not to try to excel, not to do good work, and the philosophy of it is that the men should not try to produce, but should try not to pro-

duce, on the theory that if things are made scarce and dear and hard to get, that makes "work," and so makes wages high. If that philosophy were sound, all the classes which consume but produce nothing — like soldiers, paupers, idle women, idle rich, gamblers, criminals, and convicts — would be all the time raising wages, and they would lower wages if they should go to work, and not only consume but also produce. On the same philosophy, the Pittsburg rioters were sound economists when they let the city burn down, thinking that it would make work and raise wages. The protectionist and the trades-unionist both think that wages are increased when things are made scarce and hard to get. First they confuse wages with work, and then they confuse work with toil, and they think that they have increased wages, that is, good things to enjoy, when they have only increased the toil by which things are obtained. The truth is that wages are raised only by industry, thrift, temperance, prudence, and economy, producing abundance and increasing capital, not by any dark and crafty devices for producing scarcity and bad work.

We may now look at the other notion, — that high wages make protective taxes necessary. People who believe this must have a queer

idea of the economic laws of society. They must think that a blessing and a calamity are not to be distinguished from each other. The wages paid in any industry are only one of the conditions of production . . . If a capitalist says that he cannot pay the current rate of wages, the first answer that should be made to him is to tell him not to do it then, for he must be misapplying his capital in some way or other. The market rate of wages is set by the supply and demand of labor, and there must be some industries which are able to win profits while paying that rate. But when our petitioners appear before committees of Congress to ask for protection, and allege that they need it because wages are high, when has any one of them ever been subjected to an examination to learn whether he understands the business he has engaged in, or has an adequate capital, or has faithfully devoted himself to business, or has judiciously located his establishment, or has bought his raw materials wisely, or has adopted new machinery rapidly enough, and yet not too rapidly, or has organized his industry with good judgment, and so on indefinitely? Surely these inquiries would be to the point, when a man pleads for power to tax his fellow-citizens to make up the losses of his business. Wages are one of the

essential expenses of any business. If it cannot pay wages at the market rate, it is not a "business"; it is either a play or a swindle. If it is said, as it constantly is, that American industry in general should be protected because American wages are high, the decision is made to turn on a single point when there are a score of conditions of industry which would need to be taken into account. What are the facts as regards cost and convenience of raw materials, facilities of transportation, cost and quality of machinery, climate as affecting industry, character of the people for industry, intelligence, and sobriety, security of property and order under the Government, excellence or otherwise of the tax system? These are the conditions of industry as between nations, not comparative rates of wages . . .

**I**T IS SAID that we cannot compete with those who pay less wages than we. There are two classes of persons with whom one cannot compete, — his inferiors and his superiors. A physician might find that he could not compete with a laborer in digging a ditch, or with a great financier in managing a bank. Could any tax enable him to compete with the banker; that is, to compete with his superior? On the

contrary, if he should complain that he could not compete with the laborer because he could not afford to employ his time in an occupation which is less remunerative than his own, every one would ask him why then he desired to compete? Now, could a tax enable him to compete with the laborer? Indeed, it could. It could intervene to deprive him of the services of the laborer, and force him to dig his own ditch, abandoning a profession in which he could earn ten dollars a day to spend his time in an occupation worth only a dollar. This last is the only way in which protective taxes enable us to compete. They put us in a position such that we abandon occupations in which we might earn the high American rates, in order to do things which other people would do for us at half the price. Lower wages abroad, therefore, are not a reason for protective taxes, but just exactly the contrary. Our high wages are a proof that we can better occupy our time. They are a proof that we have means of employing our capital and labor, which are highly remunerative; and to make them an argument for protection is like arguing that a rich man needs charity, or a strong man help.

If goods do not cross frontiers, armies will!

ANONYMOUS

# The Economics Of War

*Ludwig von Mises*

THE MARKET economy involves peaceful cooperation. It bursts asunder when the citizens turn into warriors and, instead of exchanging commodities and services, fight one another.

The wars fought by primitive tribes did not affect cooperation under the division of labor. Such cooperation by and large did not exist between the warring parties before the outbreak of hostilities. These wars were unlimited or total wars. They aimed at total victory and total defeat. The defeated were either exterminated or expelled from their dwelling places or enslaved. The idea that a treaty could settle the conflict and make it possible for both parties to live in peaceful neighborly conditions was not present in the minds of fighters.

The spirit of conquest does not acknowledge restraints other than those imposed by a power which resists successfully. The principle of empire building is to expand the sphere of supremacy as far as possible. The great Asiatic conquerors and the Roman Imperators were stopped only when they could not

march further. Then they postponed aggression for later days. They did not abandon their ambitious plans and did not consider independent foreign states as anything else than targets for later onslaughts.

THIS PHILOSOPHY of boundless conquest also animated the rulers of medieval Europe. They too aimed first of all at the utmost expansion of the size of their realms. But the institutions of feudalism provided them with only scanty means for warfare. Vassals were not obliged to fight for their lord more than a limited time. The selfishness of the vassals who insisted on their rights checked the king's aggressiveness. Thus the peaceful coexistence of a number of sovereign states originated. In the sixteenth century a Frenchman, Bodin, developed the theory of national sovereignty. In the seventeenth century a Dutchman, Grotius, added to it a theory of international relations in war and peace.

With the disintegration of feudalism, sovereigns could no longer rely upon summoned vassals. They

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