

INTERNATIONAL SOCIALIST
BUREAU
People's Palace, Brussels.

International Socialist Congress of Vienna
(August 23-29, 1914.)

DOCUMENTS

2nd COMMISSION : THE COST OF LIVING
REPORT BY SIDNEY WEBB

I

THE RISE IN THE COST OF LIVING

The steadily increasing cost of living is, during the past fifteen or twenty years, a universal experience in all the countries of the world. The statisticians tell us that, from 1895, when the level of prices was at its lowest, to the present year, the market prices of nearly all commodities have everywhere risen. In the United Kingdom and Australia the rise has been only about 15 per cent ; in France and Canada about 25 per cent ; in Germany about 40 per cent. But these general estimates are, with reference to the workman's cost of living, not quite trustworthy. They are deduced from the recorded wholesale prices of a relatively small number of raw materials of manufacture and of selected foodstuffs ; and different results may be obtained from different selections. They do not include many items of the workman's family budget, such as the rent of the dwelling ; the cost of medicines, medical attendance and other personal services ; the burial of the dead ; postage ; the expense of travelling, now often an indispensable daily item ; the outlay on

books, newspapers, holidays, recreation and petty luxuries for the various members of the family ; or the taxes (including payments for insurance) directly levied by national or local governments. For the most part these items (except those for books and newspapers and the expense of postage and travelling) seem to show increases at least comparable with those of the wholesale prices of the principal commodities. On the other hand, the estimates of the statisticians in some respects overstate the rise. There is evidence that the retail prices of the articles purchased by the great mass of the wage-earners (including the cheaper foods, and secondhand clothing or furniture) have generally not risen to the same extent as the wholesale prices, and especially not so much as the wholesale prices of the principal raw materials. Thus, no general statement can be made. The actual facts as to the amount of the increase in the cost of living differ from place to place ; they differ also from grade to grade. What may reasonably be inferred is that nearly every workman in Europe, America, North and South and West Africa, Australia, India, China, Japan and the Pacific Islands finds living more expensive to-day than was the case twenty years ago. The increase seems to vary in amount from 10 to 60 per cent.

II

THE INADEQUACY OF THE RISE IN MONEY WAGES

The rise in the cost of living would not matter to the workman if his money income increased in proportion to prices. But it has again been demonstrated, practically all over the world, that money wages do not rise either so quickly or so much as prices. Nearly everywhere, in most trades, there has been, in the past two decades, a substantial rise in money wages. But in practically no country can the statisticians estimate the rise in wages to have been equal to the rise in prices. The workman finds the cost of living increased, sometimes by ten, sometimes by sixty per cent. His money wages have increased sometimes by five, sometimes by thirty per cent. In some of the most oppressed classes, such as the unskilled women workers in low grade industries in the United Kingdom, it is difficult to feel sure that there has been any general increase even in money

wages. The testimony is universal that, so far as they depend on wages alone, the workers of nearly all grades, in practically every country, have, in the past two decades, as a direct consequence of the rise in prices, suffered a set-back in their current maintenance. On the other hand, in the civilised nations of the world, the wage-earners now obtain as citizens small though increasing advantages (such as education, provision for sickness and old age, etc.) apart from wages, through the steadily increasing Collectivism of State and Municipality. The increase, during the past two decades, of many different forms of this collective provision — often an imperfect application of the principle of Communism — has, to some extent, taking the wage-earning class as a whole, mitigated the hardships that would otherwise have been caused by the increasing cost of living. But it is a melancholy reflection that, except insofar as the growing Collectivism has been able to protect and supplement the workman's Standard of Life, at least a majority of the families in the world find themselves, amid enormously augmented wealth, getting, in one or other item, actually less adequate food, clothing, housing, leisure or recreation than was the case twenty years ago.

III

THE CAUSE OF THE DECLINE IN REAL WAGES

About the cause of the rise in prices there is endless dispute among the statisticians and the economists. Some ascribe the general rise of prices to the great increase in the production of gold ; others, with reason, amend this explanation by including with the increase in the gold supply the still greater increase in the volume of currency in the form of bank notes, cheques, bank credit etc. But all such explanations of the rise of prices as due to currency changes — probably including much truth — leave unsolved the problem of why the price of labour as a commodity has not risen, from this cause, equally with the prices of other commodities. Others ascribe the rise of prices to a real shortage in the production of commodities in proportion to the increasing population of the world (intensified, perhaps,

by the growing demand of the Eastern world for European commodities) — a shortage due, in part at least, to the diversion during the past twenty years of much capital and human energy to the opening up of new territories in Canada, South America, Russia etc., where railways are being made, land is being brought under cultivation, and houses are being built to such an extent, it is said, as actually to cause the world's production of immediately consumable commodities to fail to keep pace with the world's demands. But there is no evidence of any genuine shortage in immediately consumable commodities — the quantities of food, raw materials and manufactures brought into the principal markets of the world, where they are statistically recorded, are, on the contrary, in the aggregate enormously greater — even greater per head of population — than at any former time; and this is only what was to be expected in view of the steadily increasing output caused by the widespread adoption of machinery, new sources of power, and the multiplication of inventions.

All these bourgeois explanations err by confining attention to one side only of what is, in reality, a single problem. What has to be explained is not so much the greater or smaller rise in price of nearly all commodities (including that of human labour force when sold as a commodity), as the failure of wages to rise equally with the prices of goods. It is suggested that the real cause of the decline in the amount of food, clothing, house room, luxuries and recreation which, on an average, the wage-earning class of the world now obtains (as compared with twenty years ago) is to be found in the increased bargaining power of the capitalist class, owing (1) to the concentration of the direction of industry into a progressively smaller number of separate heads, and (2) to the rapidly increasing use of capitalist combination, whether in monopolies or trusts, agreements or associations of employers. During the last twenty years the capitalists of the world have, to a greater extent than ever before, deliberately taken advantage of all currency changes, migrations of capital and new developments of industry, to strengthen their position. The rise in the price of commodities is, at least to some extent, artificially created or increased by their monopolist position. In Germany, Austria, Russia, the United States, Italy and some other countries, this capitalist manipulation of prices is facilitated by protective customs tariffs, which cause the rise of prices in these coun-

tries to be demonstrably greater than in the United Kingdom and other countries where no such exaggerated protective tariffs prevail. At the same time, the same concentration of industrial direction into an ever-smaller number of heads, and the same growth of monopoly and trust, agreement and employers' combination, have greatly strengthened the employers in their bargaining with the proletariat for the purchase of labor-force. Meanwhile, though Trade Union membership has increased in most countries, it is doubtful whether (apart from a few trades and a few towns) Trade Union organisation has improved in the United Kingdom or France, the United States or Italy. In India and Japan, in Africa and Oceania — perhaps also (apart from some exceptional industries, in a few cities only) in Russia and Hungary — it cannot be said that Trade Unionism is genuinely stronger than it was twenty years ago. Some slight improvement in Trade Union organisation may be noticed in Switzerland and Scandinavia, Holland and Belgium, and especially in Germany. But taking the whole world over, it is very doubtful whether, viewed as a whole, the strength of the proletariat in bargaining for the sale of labor force is any greater than it was twenty years ago, whilst that of the capitalist employers has greatly increased. My inference is that, whilst the increase in the world's production of gold, coupled with the greatly increased use of credit instruments as purchasing power, tends to raise the prices of all commodities, including therefore labor force when sold as a commodity ; and whilst the diversion of capital to the opening up new countries may have specially tended to raise the exchange values of immediately consumable products, we have to recognise, on the other side, the influence of new inventions and increasing productive power in lowering the exchange values of all commodities other than that of labor-force. The balance of forces affecting the prices of commodities and the price of labor force when sold as a commodity is therefore not clear. There remains, as demonstrably tending to lower the rate of wages, quite apart from the price of commodities, the increasing strength of the economic position of the capitalist employers in bargaining for the purchase of labor-power, due to their increasing use of combination, as contrasted with the failure of the wage-earners (nearly everywhere but in Germany) to improve the fighting organisation of their Trade Unions. Differences in industrial development, in systems of currency and commercial credit, and in customs tariffs make country

differ from country in the opportunities afforded to the capitalist employers ; and differences in the degree to which they have improved their own organisation, in comparison with the varying extent to which the wage-earners of the different countries have improved the organisation of their Trade Unions, make the losses of the wage-earners differ from country to country. These losses have been to a varying degree mitigated in the different countries by the general increase in provision of a Collectivist character. Thus, whilst the net result on the Standard of Life of the wage-earners has been nearly everywhere adverse, it is natural, on this explanation, that we should find that the amount of the loss differs from country to country.

IV

THE PALLIATIVE MEASURES BY WHICH THE STANDARD OF LIFE OF THE WAGE EARNERS MAY BE PROTECTED.

(a) *Municipal Shop-keeping.*

We have to notice that the rise in the price of commodities is often aggravated by the action of the capitalist traders, who take advantage of any rise in wholesale prices to effect a more than proportionate increase in retail prices. Here the establishment of Municipal Shops has been effective in keeping down prices. What has long since been found to be advantageous in the supply of water, gas, and electricity, is useful also in the supply of provisions. At Budapest, and in many German towns, shops have been opened by the Municipality for the importation and sale of meat, fish, butter, eggs and other food at the lowest possible prices, often without any profit what so ever. At Verona and various other towns of Italy the municipalities have established bakeries, and have sold bread at cost price. In Russia (and also in Mainz) the municipalities have drug-stores, for the sale of medicines at cost price. This municipal trading should be developed, especially where the working class electorate controls the Municipality.

(b) *State and Municipal Housing.*

It is only necessary to mention the fact that the erection of dwellings for the proletariat, to be let at rents only just covering the interest on the cost of land and buildings, has been undertaken by the municipalities in many countries, and in Ireland and New South Wales also by the State Governments.

(c) *Co-operative Provisioning.*

In nearly all countries, notably in Germany and Great Britain, Belgium and Switzerland, Denmark and Austria, the democratic Co-operative Societies (Konsumvereine) have greatly increased in membership and trade, thereby eliminating capitalist profit from an ever-increasing proportion of the provisioning of the people, and bringing it under democratic control.

(d) *The Enforcement of a Standard Wage.*

The wage-earners in Germany and Great Britain, Australia, and New Zealand have made some progress, perhaps more than those of other countries, in formulating and enforcing, either by law or by Collective Bargaining definite standards of wages in the principal industries and an irreducible minimum for the very lowest grade of labor—more or less based on the necessary cost of maintenance—below which it is hoped that wages, even in times of bad trade, will never be allowed to fall.

(e) *Increase of Pay of Public Employees.*

State and Municipal governments all over the world have been forced tardily and very inadequately to recognise the necessity of adjusting the rates of pay of public employees to the increasing cost of living. In Germany, Austria and some other countries, these increases have often been deliberately graduated in proportion to the size of the family.

It is suggested that the Labor and Socialist Parties of the world should see to it that the organised wage-earners take up this question of increase in cost of living; and that suitable measures of all the foregoing kinds are pressed on the State and Municipal Governments, and on the Legislatures of every country.

V

THE AUTOMATIC VARIATION OF WAGES WITH PRICES.

Now that Individual Bargaining for the hire of the laborer is being more and more replaced by Collective Bargaining, and now that the Standard Minimum Rates of Wages are (in the United King-

dom Australasia and the United States) coming to be enforced by law, it becomes important to prevent the existing rates of money wages from being stereotyped, and rendered difficult to raise as prices rise. It is suggested that all Collective Agreements and Arbitration Awards fixing rates of wages, and all laws establishing minimum rates of wages, ought to contain clauses providing that the rates so fixed should vary automatically with any future changes in the general level of prices of commodities, as ascertained by a suitable Index Number, to be prepared by a board of independent statisticians and published annually by the Government.

VI

RESOLUTION SUBMITTED BY THE BRITISH SECTION.

The following resolution, agreed to unanimously by the British Section, is respectfully submitted for the consideration of the Congress :

Increase in Cost of Living.

I. That the rise in prices, which has extended to nearly all commodities, in every civilised country, and has continued already for eighteen years, has practically nowhere been accompanied by an equivalent rise of money wages, and has consequently resulted, notwithstanding all the struggles of Trade Union organisation, in a degradation in the standard of life of great masses of the proletariat.

2. That the fundamental cause of such a general rise of prices is to be sought in the growing command over the means and processes of production, and over the markets and methods of distribution, which the capitalists of the world are obtaining, by means of their monopolies, combinations and price-agreements; by which, on the one hand, prices are raised to the consumer; and, on the other hand, owing to the increased power which these same monopolies, combinations and price-agreements give, in face of the proletarian competition for employment, the wages of labour are continually being driven down towards bare subsistence rates.

3. That this evil outcome of capitalist exploitation and the competitive wage-system accordingly demands the urgent consideration of every legislature; in order that, pending any complete grappling with the evil (which can only be accomplished by the transformation of society on a Socialist basis), palliative measures for the protection of the proletariat may everywhere be adopted.

4. Among the palliative measures to be commended as having, at any rate, a partial success, the Congress notes:

(a) The action of many municipalities in Germany, Hungary, Italy, and elsewhere in keeping down prices by opening municipal shops and bakeries, and supplying meat, fish, bread, etc., as well as medicines for the sick, at cost price.

(b) The development - unfortunately far too slow - of the municipal provision of dwelling houses to be let at the cost of construction and maintenance only.

(c) The growth in nearly all countries of the democratic Co-operative Societies (Konsumvereine) which bring an increasing part of the provisioning of the people under working-class control.

(d) The formulation of the demand by Trade Unions that there should be recognised a minimum standard of wages below which they must never be allowed to fall, based on the ascertained cost of maintenance;

(e) The concessions - as yet tardy and insufficient - by public

authorities of increases of wages to their employees, professedly in proportion to the increased cost of living ;

And the working classes throughout the world should press such measures forward.

5. That in view of the increasing spread of the fixing of minimum rates of wages by law, by public authorities or by collective agreements, and the consequent stereotyping for long periods of existing money rates of wages, it is desirable that all such wage scales should be accompanied by provisions for the rates of wages to rise automatically with the general level of prices of commodities, which should be officially ascertained and promulgated year by year.
