

SOME HISTORICAL EVIDENCE

In his important study of real wages⁸⁴ Douglas considers the rise of money and real wages from 1889 to 1923. For example, he finds:

[1890-99=100]

	Relative production per wage earner	Average annual earnings per wage earner	Real average annual earnings
1890.....	100	100	99
1909.....	111	123	102
1919.....	113	276	111
1923.....	152	299	128

It will be noted that according to Douglas' figures, real wages did not rise as much as the relative production per wage earner. Douglas explained this in part by the decline in the purchasing power of manufactures.

At the time that Senator (then Professor) Douglas wrote, these figures marked a great advance in our knowledge of movements of real wage rates. Of course since then we have had more sophisticated approaches to this problem that take into account man-hour output as well as the input of labor and capital. At any rate, according to Douglas' figures, wages rose more than the cost of living during this period which on the whole was an inflationary period, but not as much as might be suggested by the rise of production. Here are the movements in the cost of living and real wages in a number of industries over several years from the Douglas study:

TABLE 10-3.—*Cost of living and real wages*

[1890-99=100]

	Cost of living	Manufacturing	Transportation	Clerical and lower salaried workers: Transportation and manufacturing	Ministers	Teachers	Postal employees	All groups
1890.....	104	101	98	88	99	87	95	100
1909.....	121	102	97	99	88	137	95	104
1919.....	247	111	109	80	64	118	68	109
1923.....	234	128	122	95	89	199	86	127

Source: Paul H. Douglas, op. cit., pp. 33, 22, 23, 24.

In general, these statistics do suggest the varying rates of response to rising prices. Clerical workers, for example, actually experienced substantial reductions in their real income while the productivity of the Nation was rising. The same can be said for ministers and Federal Government employees who suffered severe reductions. The most striking rise was for teachers.

Undoubtedly the explanation in part is the varying rates of demand for the products of each group. This was a period of large increases

⁸⁴ See Paul H. Douglas, "The Movement of Real Wages and Its Economic Significance," American Economic Review, Supplement, March 1926.