Article

Inequality and the working class in Scandinavia 1800–1910: Workers’ share of growing incomes

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A B S T R A C T
One of the major ways in which economic inequality can increase is when the development of wages of ordinary workers trail productivity and GDP growth, meaning that the increasing riches fall in the hand of other social groups (top employees, owners of land and capital). This paper investigates the relationship between wages and GDP in Denmark, Norway and Sweden from 1800 to 1910, using wage series for workers in agriculture as well as crafts and industry. It shows wages trailing GDP from the 1840s to the mid-1870s, with a particularly pronounced such trend in Norway. On the other hand, wages generally increase at the same pace as GDP in the 1870s, 1880s and 1890s. The early 1870s is a break point also for food real wages which start increasing at that point. Four explanations for the varying fortunes of workers are tested: price developments, population growth, emigration, and institutional changes. Variations in labour supply, stemming from population growth and emigration, are shown to be the most important determinant.

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Desigualdad y clase trabajadora en Escandinavia de 1800 a 1910: participación de los trabajadores en los ingresos

R E S U M E N
Una de las mayores vías de incremento de la desigualdad económica se produce cuando el crecimiento de los salarios de los trabajadores ordinarios es inferior al crecimiento de la productividad y el PIB, lo que significa que el incremento de la riqueza va a parar a manos de otros grupos sociales (empleados de alto nivel, propietarios de tierras y capitales). Este documento investiga la relación entre los salarios y el PIB en Dinamarca, Noruega y Suecia, de 1800 a 1910, utilizando las series salariales de los trabajadores agrícolas, artesanos e industriales, y refleja que los salarios son inferiores al PIB desde principios de 1840 a mediados de 1870, con una tendencia particularmente pronunciada en Noruega. Por otro lado, el crecimiento salarial se mueve por lo general al mismo ritmo que el PIB en 1870, 1880 y 1890. El inicio de 1870 constituye un punto de ruptura para los salarios reales del sector de alimentación, que comienzan a incrementarse en dicha fecha. Se prueban cuatro explicaciones de las distintas fortunas de los trabajadores: crecimiento de los precios, crecimiento de la población, emigración y cambios institucionales. Las variaciones en términos de oferta laboral, derivadas del crecimiento de la población y la emigración, constituyen el determinante más importante.

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1. Introduction

One of the major ways in which inequality can increase is when the wages of ordinary workers do not increase at the same pace as the average income in the economy. In the United States, the real median wage of workers has stagnated for decades and is today still at the level of 1973, while GDP has increased sustai-
ably. This wage lag means that the increased wealth has accrued to others, namely the upper middle class, top management and owners of capital, and that inequality has increased (Bivens et al., 2014). Within economic history, the relationship between wage growth and average income (GDP) growth is a classical issue. Since wage earners are the bulk of the lower strata of the income dis-
tribution, when they lag behind average income growth, it means that income inequality increases much research has been devoted to the issue of whether the living standards – of which wages are an integral part – of the working class in Britain rose in line with general economic improvement during the British industrial revo-
lution (e.g. Feinstein, 1998; Allen, 2009).

This paper investigates the relationship between wage growth and GDP growth in Scandinavia – Denmark, Norway and Sweden – c. 1800 to 1910. All three countries, which in the twentieth century would become well-known for a strong degree of egalitarianism, industrialized during this period, which makes it interesting to investigate their development of income inequality during industrialization. Did the living standards of workers lag behind, as the pessimist side of the British debate would have it, or did they grow in line with overall incomes? (Cf. Feinstein, 1998; Allen, 2008.) The paper is descriptive in nature, utilizing the wage and GDP series calculated by macroeconomic historians during the last fifteen years or so, to establish when workers’ wages rose in line with average incomes, when they rose faster and when they rose slower. The paper also discusses which factors affect the wages–GDP gap, focusing on price developments, labour force growth, emigration and working class activism. The paper is based on extant wage and GDP data for the three countries, and does not build on new archival research. We lack information about several key aspects – especially variations in unemployment and the combination within families of women’s, men’s and children’s labour – of working class standards of living in this period; these will be pointed to, but it is outside the scope of the present paper to resolve them. The paper can thus be seen as an inventory of where we are with regards to understanding the standard of living of the Scandinavian working classes in the nineteenth century compared to general society, with pointers to where more archival research is needed.

2. Wages, workers’ living standards and inequality in nineteenth century Scandinavia

2.1. Workers

The wage earners studied in this paper were a lower strata in society, and so when GDP grew faster than their wages, it means that the surplus was gained by the higher educated, or owners of land or capital. That means that inequality increased (Prados de la Escosura, 2008, p. 290). For the post-1900 setting, one would use national accounts data to study the distribution between capital and labour (e.g. Piketty, 2014; Bengtsson and Waldenström, 2015), but for the nineteenth century, the necessary data do not exist. For this reason, the wage to GDP ratio has been widely used in economic history (Phelps Brown and Hopkins, 1950; Williamson, 1997; Prados de la Escosura, 2008; Allen, 2009).

Since the purpose of the paper is to study the relative living standards of the working class, I will use wage information for skilled and unskilled workers without formal education; workers who in the twentieth century would be referred to as “blue-collar” (in Danish/Norwegian/Swedish: arbejder/arbeider/arbetare). Williamson (1997) who popularized the wage-to-GDP ratio as an inequality indicator for the nineteenth century, explicitly focused on unskilled labourers. Labourers, not the least agricultural, are at the core of this paper as well but wages for skilled workers are used as well. All three Scandinavian countries were predominantly rural in the nineteenth century. In Norway and Sweden, around one tenth of the population lived in urban areas up to the mid-century, whereby urbanization ensued so that in 1900 28 and 22% of the population, respectively, was urban (Statistisk Sentralbyrå, 1978; p. 33; Statistiska centralbyrån, 1969, pp. 45–46). Denmark was more urbanized with 21% urban already in 1801; it stayed the same in 1850, then grew to 38% in 1901 (Danmarks Statistik, 1959, p. 5). One can infer from these figures that most of the working class in this period were rural workers, especially agrarian, and for this reason, studying agrarian workers is important for the present paper.

2.2. Inequality

What do we know about inequality in Scandinavia in the nine-
teenth century? Much of the Scandinavian research on inequality in the nineteenth century has focused on stratification in rural society, and groups such as crofters and other semi-proletarian and proletarian agrarian groups. The massive growth of the crofter group after the mid-eighteenth century has often been discussed as an important process of increased social differentiation (e.g. Winberg, 1975; Østerud, 1978, p. 96, 119–121, 129; Pryser, 1993). That rural differentiation which is based to a high degree on subsistence economies and differences is access to land falls outside of the study here. An important overlap with that debate is however the issue of access to common land and small-scale subsistence farming. Humphries (1990) has shown for the British case that enclosures increased lower-class families’ dependence on a male breadwinner since they decreased the access of these families to commons for cows’ grazing. Enclosures did not work in the same way in Scan-
dinavia, but the share of the lower-class population with access to smaller plots of land did decrease there too, and so the depend-
ence on wage labour increased. This means that the wage growth to GDP growth ratio becomes an even more salient inequality measure over time.

Previous quantitative estimates for inequality are scarce; of course, precisely this is an important rationale for the present paper. Especially, the measures that we have are quite low-frequency. Income inequality measures only begin in the 1870s for which researchers have measured the share of total income captured by top earners. On this measure both Denmark and Norway were quite unequal in this decade, with the top decile taking home 54% of Danish incomes in 1870, and 40% of Norwegian incomes in 1875. Both countries saw a slight decrease of inequality by this measure to the first decade of the twentieth century (Aaberge et al., 2016; Atkinson and Søgaard, 2016). Wealth data are scarce as well, but available for some years. The richest percentile’s share of total private wealth was 56% in Denmark in 1789 and had decreased to 46% in 1908. In Norway, it decreased from 47% in 1789 to 36% in 1868 and then kept stable until 1912 when it was on 37% (Roine and Waldenström, 2014, Table 2A). In Sweden, the top percentile’s share grew from 40% in 1800 to 42% in 1850 and 58% in 1900 (Bengtsson et al., 2017, Table 3). In short, the existing income and wealth inequality data, do not tell us much about the development of inequality in Scandinavia, as the data points are quite far apart. The cruder measure employed in this paper facilitates as more high frequency measurement of the development of inequality.

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