

A Political Economy Perspective on Fair Wages: Some Speaking Notes¹

Education, Agitation, Legislation

W. Robert Needham
Town Hall meeting regarding Fair Wages.
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Cambridge
School of Architecture

“The march of social progress [towards a GAI or UBI] is like a long and straggling parade, with the seers and prophets at its head and a smug minority bringing up the rear.”²

Background Interest Statement:

Political economist. In what I do I take the system as the subject of investigation as opposed to the normal practice in mainstream economics.³

My view is that to simply take the system as given is to in effect simply give it all away.

Income security has been a concern for years. Though I must say, I quickly jumped over the minimum wage to the *more assured security* provided by an *unconditional basic income* (UBI or GAI).

In other words a GAI ties into Minimum wage and fair wage discussion in that the minimum wage is an inadequate way to provide income security.

Besides the minimum wage merely takes the system as an *uncomfortable fit* and in doing so sidesteps the fact that, in definition and in fact, there are things about the system that are fundamentally wrong, oppressive and downright evil.

So my start up position on fair wages:

If all one does is focus on the minimum wage and try to boost it, it will never be enough both in terms of income and IN TERMS OF POSITIONING THE CITIZEN AS THE END AND THE SYSTEM AS MEANS. *The minimum wage concept alone accepts implicitly labour as a commodity.* Trade unionists beware if they have only increasing the minimum wage in mind they have lost

¹ Sponsors: Social Planning Council of Cambridge and North Dumfries and Waterloo Regional; Labour Council

² Pierre Berton, *The Smug Minority*, (Toronto: McClelland and Stewart, 1968), 157.

³ The American philosopher John Dewey: “The transition from an ordinary to a scientific attitude of mind coincides ceasing to take certain things for granted and assuming a critical and testing attitude.” [John Dewey, “Logical Conditions of a Scientific Treatment of Morality”, *Decennial Publications of the University Chicago*, First Series, Vol. 3, (1903), 115-139), 115.

*their collective soul as unionists. I think this is wrong; it implicitly takes wage slavery as a natural state rather than forced and compelled and with inhuman consequences. (see Macpherson *capitalism compels*⁴).*

IN OTHER WORDS, Even if one has the minimum wage at \$10, \$12 etc (rather than the \$8 that it is), it ought never to be enough. Even if the minimum wage is tied to inflation so increases are automatic each year (and it should be) it won't be enough. This is because the wage rate is only one half of the wage income calculation. You also need the number of hours worked to get income from work. With work scarce and mostly increasingly part time then good luck at getting an income above poverty levels. Some people have to take a number of part time jobs and hope that constant effort keeps one housed, fed and clothed

This happens because even at the best of times the system in which we live treats workers as means rather than ends. As *means* rather than *ends*, workers are just commodities. And they get used and abused. They are paid but little and they are disposed of as necessary to keep costs down.

The system constantly evolves and as it does it leaves many workers behind. So there are always a number who can't find work and so don't even have a poverty wage.

THE DIAGRAM — *Profit as the Root of all Evil: The Devil is in the Details*, captures much of the reality of the operation of our economic system. The diagram suggests the system is run to provide security for those who run (have power and control over) the system and it suggests insecurity for those whose incomes and employment are dependent on the decisions of the few.

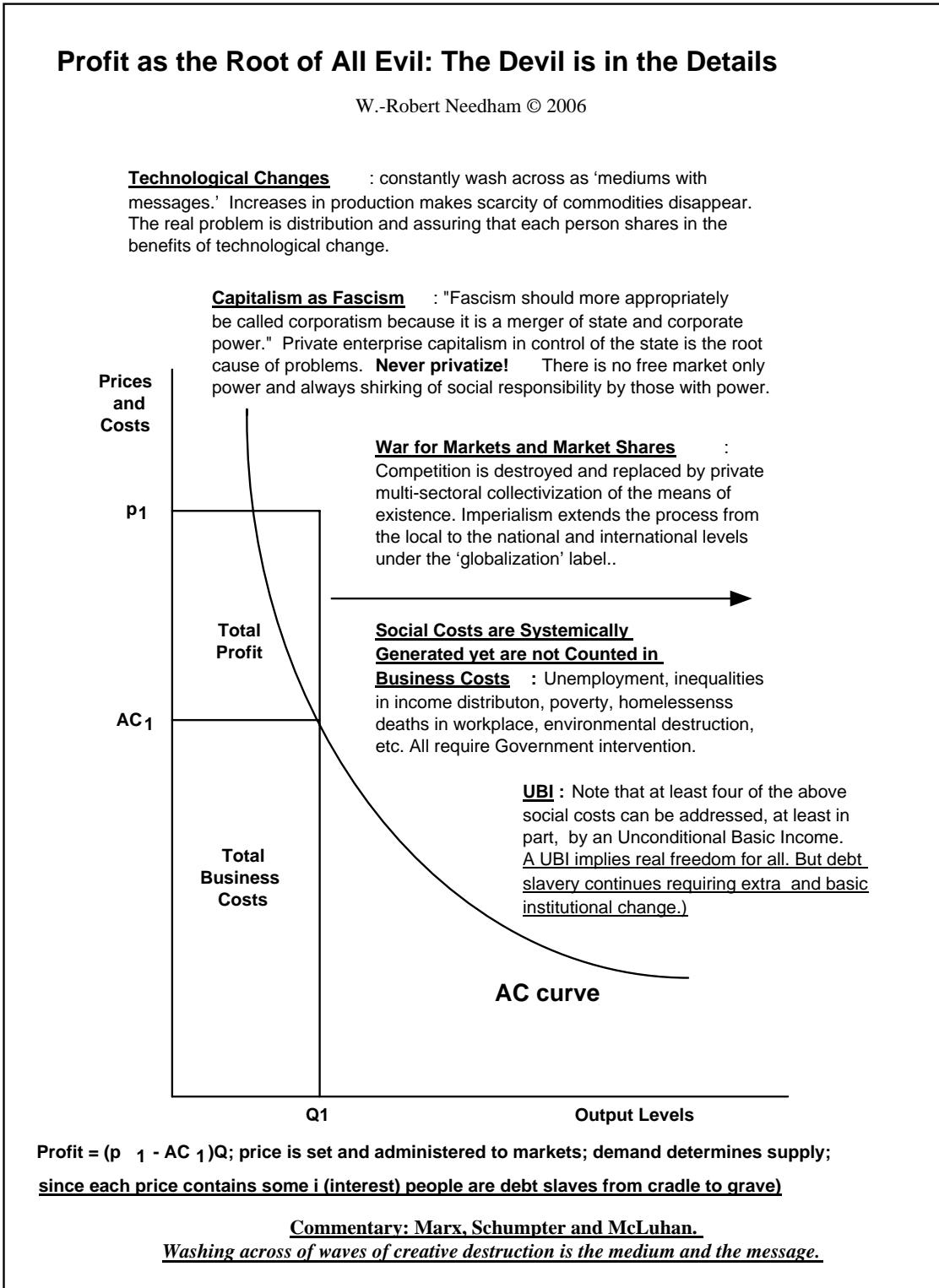
Where are the workers and wage costs in this diagram? — Labour costs are embedded in TC but people are hidden behind the bottom line concern of business with profit and keeping costs down or socialized as much as possible.

⁴ W. Robert Needham, *The Essentials of Capitalism Through Definitions: From Adam Smith to the Present Day* (2005): <http://economics.uwaterloo.ca/needhdata/CapitalismsEssentialsREV4.pdf>

DIAGRAM: Profit as Root of All Evil: Diagram

Note: This diagram and associated commentary, including material from Marx Schumpeter and McLuhan, is found in the document:

<http://economics.uwaterloo.ca/needhdata/Profit%20as%20the%20Root%20of%20All%20EvilREV.pdf>



End position:

The end position is that we have to get away from tying BASIC INCOME SECURITY to work at all.

People are to get an income a basic income because they exist as citizens. And in this country we have a constitution based on the notion of *equality rights of citizenship* that ought to support that progressive move. Without it the system will continue to be dysfunctional.

The system constantly makes employment insecure, constantly changes the nature of work; and constantly puts a downward pressure on wage rates. To create income security for life we have to provide an unconditional basic income for everyone.

Any earned income (subject to tax) goes on top of an untaxed GAI.

Note some of the associated implications and surround ideas of a GAI.

(1) Many people who have worked all their lives and never received any direct income for their contribution to society (such contributions cannot be denied) will have their contribution recognized. Housewives or more generally homemakers (male or female) contribute much to society yet are generally unrecognized.

(2) For all those who work with the insecurity of paid employment at subsistence wages (say the minimum wage) the GAI will be an income base that allows them to weather the tough times. It provides dignity.

(3) For those who want more freedom than provided by wage slavery under the system the GAI means they can opt to not work and rely solely on the UBI or GAI for their income. They can then exercise their own creativity and entrepreneurship and go about their lives as they choose. The idea is real freedom as opposed to the *no choice* of wage slavery and a minimum wage. But most people want to be creative in some occupation, or with some job; and they want the camaraderie associated with paid employment. (I notice that research results distributed by the Labour Council supports this fact).

(5) The willingness to work. The system does not provide enough jobs. In consequence many people spend their time in job search—working to find a job.

(4) Everyone ought to be supportive of a GAI. Perhaps the greatest supporters of the importance of a GAI ought to be CEOs who work so hard

to provide for themselves, by most standards, excessive salaries, and pensions through control of the boards of the enterprises they run. [And some, like movie stars, and the like ilk, build mansions (sometimes many) for themselves.]

Elaboration of Main argument:

I have been asked to provide a broad economic perspective to the issue of Fair Wages and incomes. What follows is a three-part political economy argument.

Part 1 — Economic System is the Problem

See the diagram *Profits are the Root of All Evil*.

The thesis is that inequalities in incomes and life chances are definitional outcomes that follow directly from the scientific definition of capitalism as the economic system in which we live. The reality is the generation of low incomes and wage slavery for many and extremely high incomes for a few. We are not treated equally, we are not all equally free. And thus the sense of unfairness and indeed outrage that many feel. The system is *not just, it is unfair, and it is undemocratic*.

Definition: We live in a *capitalist system*, which, by definition, is run so as to transfer power, wealth and income away from the worker and the ordinary citizen. (Go back to Adam Smith and see if this hasn't always been so).

In the system's normal operation inequalities in wages, incomes and life chances (jobs for example) are created.

With that as background: You can't possibly have fair wages if you just live with the system (and take it as a given). Moreover, if we have a job at all, you/we have to struggle, against the devil, if you like, to obtain wage increases that hold out the possibility of making life a little easier. And many have to struggle like hell and against the devil to get and keep jobs that seem to be sliding away. And the struggle is forever.

In this system people are wage slaves. Everyone has to work to get an income, we have to work for a capitalist and the capitalist organization dictates terms and conditions of employment. There is no real choice in this.

People have an illusion of freedom. The nature of our unfreedom has merely changed from direct labour servitude to wage slavery and debt slavery.

Why? How does this arise?

Power and control in and over the system has two components:

- i. Social control — Owners/corporations have the power to control the system. Basically, property rights legitimize their power of over others in the work place. The result is inequality, poverty, homelessness etc.**
- ii. Technical control — technological change. Technological change and the corporate struggle for market shares constantly reduce labour requirements. Technological change makes job scarce and keeps many wages low. Those at the cutting edge and with their labour services in high demand do well.**

So, low wages, unemployment and poverty are social costs (not paid by business) arising from the operation of the system. They generate benefits (profits) for the people at the top.

- iii. Policy control—corporations manipulate and control governments.⁵ In the 1980s and 1990s, business saw to it that economic constitutions, like FTA and NAFTA, designed to strengthen business control over governments and over people (and weaken democracy and citizens rights), were installed. They contribute to the already fascist nature of contemporary governance**

Part 2 — The Governance Contradiction

There is an inherent contradiction between capitalism and democracy as alternative governance systems. I take it that we all want to be as democratic as we can get. This means forever expanding the network of social rights that imply greater equality (less inequality) and by implication greater fairness (less inequality of treatment of different people immigrants, women, Native people) .

Canada is blessed in having a political constitution that is based on the notion of *equality rights of citizenship*. And so in the courts we find that equality

⁵ Fascism should more appropriately be called Corporatism because it is a merger of state and corporate power” Benito Mussolini (Italian dictator, 1883-1945) http://en.thinkexist.com/quotes/benito_mussolini/ And “Today’s corporate dominance eerily similar to pre-fascist era in Europe Fascism in Germany and Italy fuelled by the power of big corporations As in Hitler’s Germany, governments now cater only to corporate elites.” Paul Bigioni “The Recurrence Of Fascism,” *CCPA Monitor*, September 2005

amongst citizens can be upheld in almost every area. The weak side has to do with equality in economic power and income and life chances.

The point is in other words that the economic system of capitalism (which is hierarchical and dictatorial) is in fundamental contradiction with the political system known as democracy. An improved democracy implies expanding the network of human rights and equality rights of citizenship.

The contradiction to, and clash with, the economic system arises because we have a constitution that supposedly provides equality rights of citizenship for all.

Part 3 — Resolution

Resolution — A guaranteed annual income, GAI, or UBI, that is universal and unconditional and is *Right, Just and for the Common Good.*

Based on human rights supported, in theory, by the Canadian constitution and UN UDHR.

UBI would be a part of each person's income that is stripped from any direct association with work. It would provide enough income for each person to live reasonably and well from cradle to the grave.

Providing a real measure of freedom of choice people would have more freedom (with less systemic coercion) to choose to live to as they might wish.

The UBI concept potentially puts the individual as citizen back at the centre of the policy development agenda. It puts progressivity at the head while regressive smug minority interest are seen as bringing up the rear end.

The economic system ought then to be seen as the means to the advance of the human condition for all.

The UBI or GAI, might, one would hope, have the added implication of inducing low paying employers to smarten up and improve wages and generally the terms and conditions of employment.

Unemployment, poverty, low wages, homelessness are some of the social costs of system operation.

Only more government can address these issues.

Some Background Citations:

“...he is certainly not a good citizen who does not wish to promote, by every means in his power, the welfare of the whole society of his fellow-citizens.”⁶

“Wherever there is great property there is great inequality. ... the affluence of the few supposes the indigence of the many.”⁷

“...[profit] is naturally low in rich, and high in poor countries, and it is always highest in the countries which are going fastest to ruin. The interest of this third order, [the capitalist class] has not the same connexion with the general interest of society as that of the other two [workers and landlords]. ...As their thoughts...are commonly exercised rather about the interest of their own particular branch of business, than about that of the society, their judgment, even when given with the greatest candour (which it has not been upon every occasion), is much more to be depended upon with regard to the former of those two objects, than with regard to the latter. ...The proposal of any new law or regulation of commerce which comes from this order, ought always to be listened to with great precaution, and ought never to be adopted till after having been long and carefully examined, not only with the most scrupulous, but with the most suspicious attention. It comes from an order of men, whose interest is never exactly the same with that of the public, who have generally an interest to deceive and even to oppress the public, and who accordingly have, upon many occasions, both deceived and oppressed it.” [While, of the workers, Smith argued that] “...though the interest of the labourer is strictly connected with that of society, he is incapable of comprehending that interest, or of understanding its connexion with his own. ...In the public deliberations, therefore, his voice is little heard and less regarded, except upon some particular occasions, when his clamour is animated, set on, and supported by his employers, not for his, but for their own particular purposes.”⁸

The long sweep of history is the march “...from slavery, to serfs, to cooperative guilds, to mercantilism, to capitalism and neo-mercantilist free trade, and finally to the possibility of full rights for everybody...”⁹

“The march of social progress is like a long and straggling parade, with the seers and prophets at its head and a smug minority bringing up the rear.”¹⁰

⁶ A. Smith, *The Theory of Moral Sentiments*, (1759). Part VI: Of the Character of Virtue Consisting of Three Sections. Section II Of the Character of the Individual, so far as it can affect the Happiness of other People. <http://www.marxists.org/reference/archive/smith-adam/works/moral/part06/part6b.htm>

⁷ A. Smith, *An Inquiry into the Nature and the Causes of the Wealth of Nations*, (New York: Modern Library, 1937), 670.

⁸ A. Smith, *An Inquiry into the Nature and the Causes of the Wealth of Nations*, (New York: Modern Library, 1937), 250. One might note Upton Sinclair “It’s difficult to get a man to understand something, when his salary depends on him not understanding it.” Upton Sinclair, *I, Candidate for Governor: And How I Got Licked* (1935).

⁹ J.W. Smith, *The World’s Wasted Wealth 2: Save our Wealth, Save our Environment*, 317.

¹⁰ Pierre Berton, *The Smug Minority*, (Toronto: McClelland and Stewart, 1968), 157.

“Every era of capitalist triumphalism creates the basis for renewed social struggle to ameliorate inequalities, a struggle to limit the new mechanisms of inequality. Every technological revolution has been accompanied by ruling elites calling for more flexibility (or whatever the word at the time) from workers and for more “discipline” over them. In such times, momentarily, the forward march of social progress seems to be halted, even reversed. Then once a vision of an alternative, viable system of distributive justice has been crystallized, the state has moved in that direction, to re-embed the economy in society. Then—Perhaps in directions that were not previously foreseen—the forward march resumes.”¹¹

¹¹ Guy Standing, “Seeking Equality of Security in the Era of Globalization,” in: S. Lerner, CMA Clark and WR Needham, *Basic Income: Economic Security for All Canadians*, (Toronto: Between the Lines, 1999), 106.

Bio Statement

W. Robert Needham, PhD: Web Site: <http://economics.uwaterloo.ca/fac-needham.html>

Political economist member of the Economics Department at the University of Waterloo since 1965. Served on various Departmental, Faculty, University, and Faculty Association committees; CAUT and OCUFA. President of the Faculty Association of the University of Waterloo for four consecutive terms.

Candidate for election in 1980 and 1984 Federal campaigns and the 1981 Provincial Campaign.

Author of *Understanding the Canadian Economy: A Political Economy Approach I—Microeconomics*, (Wall and Thompson, 1989).

Authored with Sally Lerner and Charles Clarke, *Basic Income: Economic Security for All Canadians*, (Toronto Between the Lines, 1999).

Contributor to W. H. Pope, *All You Must Know About Economics*. (Toronto: Comer Publications, 1996).

Numerous web based publications including

Understanding the Canadian Economy: A Political Economy Approach III— The Capitalist Development of Canada (2006): <http://economics.uwaterloo.ca/needhdata/310-draftTextfeb.htm>.

An Unconditional Basic Income for Canada? Some Comments on the Historical Contexts (May 2000) http://economics.uwaterloo.ca/needhdata/UBI_Chapter_Revised_000530.html

The Current State of Economics, (2003).

<http://economics.uwaterloo.ca/needhdata/CurrentStateofEcon241103.pdf>;

The Essentials of Capitalism Through Definitions: From Adam Smith to the Present Day (2005): <http://economics.uwaterloo.ca/needhdata/CapitalismsEssentialsREV4.pdf>

Profit as the Root of All Evil: The Devil is in the Details. (2006).

<http://economics.uwaterloo.ca/needhdata/Profit%20as%20the%20Root%20of%20All%20EvilREV.pdf>

Economics, Economy and Society: Conformance with Reality (2006): <http://economics.uwaterloo.ca/needhdata/EconSociety.pdf>

Is the Function of Economics to Avoid the Analysis of Business as War (2005): <http://economics.uwaterloo.ca/needhdata/FunctionofEconomicsREV1.doc.pdf>

Reforming Economics—Ten Quick Steps towards Reality Economics (2007): <http://economics.uwaterloo.ca/needhdata/Reforming%20EconomicsSteps%20to%20Futher%20Reality%20Economics2.pdf>