

The Anti-Samuelson

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VOLUME TWO

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Manufactured in the United States of America

Chapter 20: Wages (S's Chapter 29)

I. REAL WAGES IN THE UNITED STATES IN THE POSTWAR PERIOD

S is not interested merely in money wages, but also “*in real wages*—in what the wage will buy” (571). As an example, he states that “money wage rates doubled from 1960 to 1973; however, since prices increased about 50 per cent in that period, real wages increased by only one-third” (ibid.). S relies on these figures to refute the Malthus-Marx “iron law of wages”; for he claims this “survey of rising living standards . . . showed how unrealistic for the West is this notion of a bare-minimum, long-run supply curve of labor” (574).

Let us examine these data carefully. Since S has provided no sources, we can only guess that by “money wage rates” he means hourly wages. In point of fact, however, we discover that between 1960 and 1972 (since the book appeared in March of 1973 he could not have used 1973 data) the “average hourly earnings of production or nonsupervisory workers on private nonagricultural payrolls” rose by 74.6 percent from \$2.09 to \$3.65.¹ Since the Consumer Price Index rose during this period by 41.6 percent, real wages rose by 23.2 percent.² And if we look at real weekly wages—in this case measured in so-called constant 1967 dollars—we note that they rose by 19.1 percent from \$90.95 to \$108.36.³

A more precise measurement of real wages must also de-

duct income taxes and social-security contributions from the “deflated” wages. Using this magnitude (“real spendable earnings”), we calculate that from 1960 to 1972 weekly wages rose by 17.5 percent, from \$82.25 to \$96.40.⁴ From 1947 until the end of 1973, these wages had risen from: \$66.73 to \$95.08, or a mere 42.5 percent during the period of greatest prosperity in the history of capitalism.⁵ And if we look at the period which ushered in “full employment”—namely large-scale intervention in Vietnam—we see that from 1965 through April, 1975, the spendable average weekly earnings of private nonagricultural workers actually declined from \$91.32 to \$86.70.⁶

SHARE OF WAGES IN NATIONAL INCOME

In light of the great length S goes to in his eagerness to persuade reader that wages constitute a large and growing share of national income, it is necessary to explain that this phenomenon should not be seen as contradicting Marx’s notion of secularly increasing exploitation. We will merely enumerate some of the factors that would have to be taken into account if one were to undertake an empirical verification of an increasing rate of surplus value. (1) Not all “wage and salary earners” create surplus value; in fact, such “productive” workers are becoming a dwindling proportion of the total labor force, a fact which is reflected in various theories of the “service economy.” Thus, if the share of wages in national income should remain constant while the share of surplus-value-producing workers in the total number of wage workers declines—a common phenomenon—a rise in the rate of surplus value may be presumed. (2) Claims concerning the rise of the share of wages in national income must always be set in relation to the development of the share of wage and salary workers in the entire labor force; for if the number of those persons receiving capital income declines in relation to those receiving wage income, then it is evident that a constant (or even rising) share of wages in national income assumes a different meaning because a larger number of people must share in it. If one takes account of this aspect, then the share of

wages in national income actually declined during the 1950s and 1960s in Japan, West Germany, France, and Italy. (3) A part of the salaries of executives, managers, et al., must be deducted from the wage share of national income, since it in fact represents a part of corporate profits. (4) Capital's share is lowered by the continual shifting of profits into depreciation funds.

POPULATION AND WAGES

S's explanation of the (rapidly diminishing) gap in wage levels between the U.S. and Western Europe has a familiar ring to it: "Supply and demand are such in America, compared with Europe, as to lead to a higher real wage here" (572). What is correct in the ensuing discussion is commonplace and has remarkably little to do with marginal productivity. Basically it can be reduced to the fact that productivity and intensity of labor have been higher in the U.S., and that at least partially as a result of the historical situation of a shortage of workers in the U.S. during part of the nineteenth century, the U.S. working class has been able to fight for and retain that historical element in the value of their labor power. This relationship may not be interpreted to mean that a one-to-one correspondence exists between productivity (or intensity) and wages, so that the higher the productivity the higher the wage level. In fact, the relative wage—that is, wages as a share of value added—declines with increasing productivity; in other words, the rate of surplus value increases.

With respect to S's account of labor's support of anti-immigration legislation in the post-World War I period (584), the principal function of mass immigration, according to John R. Commons, was its creation of "America's reserve army of the unemployed."⁷ Thus in only six of the twenty-five years prior to World War I did unemployment in manufacturing and transportation fall below 4 percent; however, for eight years it stayed above 10 percent.⁸

Labor's opposition to mass immigration was further due to the fact that foreign workers were often "contracted out" as strikebreakers.⁹

The postwar depression brought the rate of unemployment to 21.2 percent. It is to be questioned whether the capitalist class was not similarly interested in cutting off the flow of potential unemployed once this "socially and politically" dangerous level was reached. Also, immigration police permitted the continued flow of more highly skilled types of workers for which developed capitalism had a need. Once the period of extensive growth had come to a close, the continued flow of industrial serfs from Eastern and Southern Europe had become unnecessary.

This forms the basis of S's "suggestion" of a "theory" of population which would let population grow exactly to the point at which "increasing returns end and decreasing returns begin" (573). The only thing wrong with this "theoretical suggestion" is that it is precisely what every capitalist state has been doing. When a particular national capital is in need of an immediate increase of its work force and cannot provide it by itself it imports workers, and when the need subsides it stems the flow or even deports them.

II. THE WAGE-FORM

S's fundamental theoretical position is revealed in the opening sentences of the chapter: "A man is much more than a commodity. Yet it is true that men do rent out their services for a price. This price is the wage rate . . ." (572). In this connection we may also note that the Clayton Act (1914) decreed that labor is not a commodity. At that time, Samuel Gompers, the head of the AFL, delivered himself of this pronouncement: "Labor power is not a product—it is the ability to produce. The products of labor may be bought and sold without affecting the freedom of the one who produces or owns them—but the labor power of an individual cannot be separated from his living body."¹⁰ This is precisely the sort of unreason that Marx sought to refute. The facts that products may be bought and sold (i.e., are commodities) and the existence of wage laborers (capitalism) are the two fundamental relations that shape all

others in bourgeois society. It is impossible for producers to remain "unaffected" by a situation in which, to use S's terminology, what, how and for whom are determined by others. The absence of such "self-determination" at a time when it is materially possible constitutes a negation of freedom.

We have also previously commented on the irrationality of wages as the price of labor. Labor has no price and no value—it creates value. If the commodity-value is determined by the amount of social labor expended in its production, then it is clear that the value of labor would involve us in a tautology.

III. SUPPLY AND DEMAND ON THE LABOR MARKET

We shall here attempt to demonstrate that the superficial phenomena dealt with by supply-and-demand theory are rooted in the underlying processes of capital accumulation. Since Marx is specifically singled out as the chief adversary, we must first analyze S's absurd critique of the function of the reserve army of the unemployed.

MARX, S, AND THE RESERVE ARMY

S's attempt to impute to Marx an iron law of wages can only be explained by his ignorance and the wish to make Marx look ridiculous in the eyes of those who know nothing of the subject. Marx took great pains to refute this theory, and it directly contradicts his own conception of the role and limits of trade unions. In light of this, it is understandable that S has drastically changed the text over the years. Thus in the 7th edition he explained Marx's conception of the reserve army of the unemployed as follows: "In effect, employers were supposed to lead their workers to the factory windows and point to the unemployed workers out at the factory gates, eager to work for less. This, Marx thought, would depress wages to the subsistence level" (7th ed., p. 546). In the 8th edition, he inserted the following parenthetical phrase after "Marx thought": "or is interpreted as having thought." It is of course S who had been

thus “interpreting” Marx. But in the 9th edition he outdoes himself in scientific dishonesty by changing the text to read: “or is scientific by naive Marxists to have thought” (574)!!

Even more significant as a recognition of the reserve army is a footnote in which S concedes: “The labor force sometimes tends to grow in recessions: when a husband is thrown out of work, his wife and children may seek jobs. Tending to cancel this [!?] is the fact that women and other workers are, under prosperous conditions, attracted into jobs by plentiful employment conditions. . . . When full employment finally reappeared, new entrants were finally coaxed back only to withdraw again in the 1969-1970 Nixon slowdown. When employment opportunities expanded after 1965 and again after the 1969-1970 stagnation, new entrants were drawn into the labor force in vast numbers” (577 n. 2).^{10a}

Marx never stated that the reserve army brings about subsistence-level wages. S is here ascribing to Marx his own views on wage formation which Marx himself made fun of. As with any commodity, the value of labor power is determined by the socially necessary labor-time for its production and reproduction. This includes not only the means to keep the commodity in good repair (or rather the average for its kind), but also those to keep his replacements (wife and children; the same is true for women obviously) in a similar state; it must also include the educational costs of preparing this particular labor power. On the other hand, as Marx emphasizes,

The scope of the so-called necessary needs, as well as the manner of their satisfaction, is itself a historical product and depends therefore largely on the level of civilization of a country, among other things it also essentially depends on this: under what conditions and therefore with what customs and demands on life the class of free laborers has been formed. In contradistinction to the other commodities therefore the value determination of labor power contains a historical and moral element.¹¹

It is important to see this clearly: Marx applies his objective theory of value also to the commodity labor power; this value is independent of supply and demand. As with any commodity, supply and demand can only determine deviations of the price from this value. Capitalism has a built-in mechanism which allows it to expand operations without calling forth a demand for labor commensurate with the absolute increase in capital. S attempts to criticize Marx on the basis of a strawman he has erected. He sets up a graph to see whether a sharp rise in wages will lead to unemployment, which in turn will lead to subsistence wages. As far as the first part is concerned he agrees: "At this high wage, there would indeed be unemployment, as alleged" (574). By whom?! Marx never said that wages determine unemployment; just the reverse. What he said was: "By and large the general movements of the wage are exclusively determined by the expansion and contraction of the industrial reserve army, which corresponds to the periodic change of the industrial cycle."¹² S has done a little projecting here, for it is his side in this game that sees the wage as causal.

SUPPLY AND DEMAND FACTORS

Similar misunderstandings of the nature of wages crop up in S's discussion of the lump-of-labor fallacy. While according this thesis "its due," S objects to its contention that "there is only so much useful remunerative work to be done in any economic system" (576).

S would respond to "technological" unemployment with retraining—it is nothing less than the "optimal" solution, and much superior to restricting production the way those wrong-headed workers suggest.

So-called technological unemployment is not new. It is inherent in a system which revolutionizes methods of production anarchically, in which the organic composition of capital is raised, and above all, in which all workers are crippled by the division of labor. The views of bourgeois economists on this topic have not changed since Marx's time. Marx scorned sycophants who were unable to see any

but the capitalist utilization of machinery, for whom the exploitation of the laborer by the machine is identical with the exploitation of the machine by the laborer, and who reproached all those who protested the capitalistic use of machines with holding up progress.

In this connection S's discussion of a shorter work week deserves attention. He finds it especially galling that workers are not willing to take a commensurate wage reduction: "What worker could be against a free present of more leisure" (576)? He finds it even more irksome that such aspects of class struggle do not fit into the neat individualized trade-off schemes he favors (396 n. 12); for such strictly harmonistic views are useless when dealing with an antagonistic society in which one class enjoys less of each (and/or a relatively smaller increase).

S's pro-employer bias is made obvious by his claim that "there is no doubt that drastic shortening of hours would imply lower real wages than a full-employment economy is capable of providing" (576).

There are several ways of refuting this. First, one could take the empirically least likely yet "theoretically possible" case that profits are merely cut. Secondly, one could take the empirically confirmed case of shorter hours being followed by an increase in productivity and/or intensity of labor. This is in fact the classic case of capitalism, in which the shorter day was a necessity if the workers were to survive the next round of speed-ups. S's denial of the possibility of an increased standard of living with a shortened work-day is the sheerest apology. Why is it that as a result of the eight-hour agitation in the 1880s and 1890s wages went up as the number of hours decreased?¹³ This line of reasoning is dictated by the "modern" technique of granting money wage increases while taking it back in inflated commodity prices. S concurs with this when he states: "The general average of money wages can rise at the 3 to 3½ per cent annual national average of real productivity increase without leading to rising price indexes or the expropriation of profits" (7th ed., p. 564). This is a clear admission that the rate of surplus value must remain at least



unchanged, that it may not be lowered; if the workers try, the capitalists and their compliant state will merely preserve profits through inflation, while compliant economists will devise theories to put the blame for inflation on greedy **BIG LABOR**.

It is instructive in this regard to look at the treatment accorded this theme in the first edition, at a time when labor apparently was regarded as the underdog, and thus S felt compelled to dwell on the seamier side of capitalism:

Modern capitalist society seems so imbued with a feeling of guilt over the existing inequality of income that almost everyone believes in the desirability not only of higher wages, but of much higher wages. Consequently, the demands of workers are literally insatiable. An employer cannot buy them off at any price. All he can buy is a little time; but in a few months the workers will be back for more.

The above remarks are stated as facts without any expression of approval or viewing with alarm. It should be said, however, that there is nothing sacred about the traditional fraction of two-thirds of the national income going to wages and salaries [p. 531].

This passage is complex compared with its parallels in the more recent editions. On the one hand we get a more critical attitude toward the class division of income: it is admitted that a shifting of income from capital to labor (that is, wages rising faster than productivity increases) need not result in inflation (theoretically). The absurd talk of profit expropriations is not there yet; in fact, even the mention of squeezing profits is placed in quotation marks. On the other hand, the old S still shines through in attributing greed to the oppressed.

It is also significant that the talk about the incompatibility of "full employment" and noninflation is directly related to the alleged disappearance of the reserve army. Whether this army has in fact disappeared is irrelevant: what is significant is the *theoretical* concession on the part of the bourgeois economists that its disappearance makes it dif-

difficult to keep down wages and/or keep inflation under control.

S's mention of highly paid athletes is as relevant to a discussion of wage theory as the example of rare postage stamps for the discussion of value theory. Such a discussion, of course, helps confuse the reader by asserting that wages are paid to a mixed bag of people, including the rich and the poor. That this is the general course of reasoning can be seen from S's similar theoretical statement denying the foundation of all of capitalism: abstract labor: "There is no single factor of production called labor; there are thousands of quite different kinds of labor" (580). The enormous mobility of U.S. workers, which represents the shunting back and forth of various quantities of human labor among different branches of production, is an especially poignant expression of this "single factor."

We did not need S to tell us what is correct in the discussion about "equalizing differences" in wages. Smith presented that quite clearly two hundred years ago,¹⁴ and Marx considered the differences so obvious (which was not to demean Smith's earlier accomplishment) that he merely mentions them as empirical facts that can be read up on in Smith.

As for the "nonequalizing differentials," called "differences in labor quality," Marx analyzed these under the viewpoint of the difference between qualified and unqualified labor power. This is not just a terminological change; for as we noted above, S has a Malthusian (biological) approach to population insofar as it affects the supply of labor. Thus he speaks of "the irreducible differences in biological and social inheritance" as causing wage differentials to persist "even in the long run" (583).

"Natural attributes of workers have little to do with wage differentials. Most tasks performed by workers require relatively little training; also, experience shows that one person can learn a variety of such skills; and thirdly, the learning and unlearning of such skills is determined—by and large—not by nature or whim but by the direction and scope of capital accumulation. It is the structure of the

place of production that determines whether the labor power of an individual worker has any exchange value; for just as with any commodity, if there is no use value for others—in this case, if no capitalists have any “use” for this specific labor power—then the socially necessary labor time which entered into the creation of that labor power, and thus its exchange value, is reduced to zero.

IV. LABOR MARKET “IMPERFECTIONS”: LABOR UNIONS AND CAPITALIST COUNTERMEASURES

Instead of being given a description of the struggle between two classes, we are told that: “As far as the economist is concerned, the final outcome is in principle indeterminate—as indeterminate as the haggling between two millionaires over a fine painting” (587). This negates the fact that in a wage system the capitalist remains and must remain the master. That system is so constructed that it can never endanger capitalism.

Marx explains this. If wages continue to mount, they can do so under two conditions: (1) that this rise does not disturb the accumulation of capital; (2) that this rise does not disturb accumulation by cutting profits so greatly that the capitalists temporarily throw in the towel. When capital ceases to appropriate the “normal” amount of surplus labor, investment is cut back, thereby exerting increased downward pressure on wages.

But Marx is also careful to insist on the causality: in the first of the two conditions just mentioned it is not the absolute or relative decrease of labor which makes capital superfluous, but rather the increase of capital which makes the exploitable labor power insufficient; and in the second it is not the increase of labor that makes capital insufficient, but the decrease of capital that makes the exploitable labor power (that is, the going price) superfluous.

Marx shows that it is incorrect to view the size of capital and the size of the labor force as independent of each other; he sees the relation between capital, accumulation,

and wage rate as the relation between the paid and the unpaid labor of the same working people.

On the basis of this analysis Marx arrived at the conclusion that basically unions can serve a defensive role in resisting the most brutal encroachments of capital on the well-being of the workers. S's discussion of whether unions have raised wages does not make sense unless one understands this underlying situation.

As for antiunion (in the sense of antilabor as antagonist of capital) legislation, the struggle around Taft-Hartley is portrayed in this way: "the electorate became fed up with strikes and rising prices. Labor was no longer considered the underdog; and people felt that the Wagner Act had been one-sided, favoring labor and putting all the penalties on the employer" (143). In fact, however, the Taft-Harley Bill, which was bound up with the anticommunist legislation of the postwar era, was drafted by corporate lobbyists of large corporations.

S's position on this legislative activity is interesting. On the one hand, he knows that it is a "difficult research task" to measure the inequality that unorganized workers talk of when they speak of the need for labor unions (583). On the other hand, he hints that New Deal legislation perhaps went too far, creating reverse excesses (586 n. 4).

Beyond "collective bargaining" S seems to be unaware of all forms of class struggle. Thus he never mentions the movement for shorter hours. Nor does he mention the existence of everyday local plant resistance carried on against speed-ups, etc. What he does deem fit to mention, however, are "more subtle restrictions on the labor supply: explicit union limits on work loads (artificial limits put on number of bricks per day, width of paintbrush, standby orchestras, number of looms attended, and similar 'featherbedding' labor practices) and implicit understandings forcing a slowdown of the working pace" (585).

The key word in this passage is "artificial." This means that every order the bosses pass down concerning activities within the factory is in some sense natural, official, for real—in any case not artificial. S has formulated a Marxist

insight here: the capitalist is absolute despot within the factory. Insofar as the workers have rented out their services for the day, they have nothing to say about the productivity attained with the commodity they lent. As long as the commodity is returned in good shape (the "rent" includes depreciation), the owner has no right to interfere.

To the extent that workers have no control over the process of production, it is "natural" (S admits this in the first edition, p. 89) for them to seek "artificial" limits or devices that will destroy their health and their jobs (that is, nullify the use value of their labor power). If it were true that (as in socialist countries) structural changes in production and corresponding changes in the education and training of the workers could be planned and thus the uncertainty, frustration, and outright economic disaster accompanying the capitalist form of such changes for workers could be eliminated, then of course "lump-of-labor" would be a fallacy because in such a society there would be no limit to the amount of useful and "remunerative" work. But as long as workers act on the basis of their experience with promises about "offsetting retraining policies that create adequate job opportunities and new skills" (7th ed. p. 547) they are likely to continue to be suspicious of those who praise capitalism without understanding it.

WAGES AND UNEMPLOYMENT

A crucial part of this chapter is devoted to explaining unemployment—mainly in terms of high wages. The discussion opens with this assertion: "The ability to strike succeeds in exacting wages increases higher than the increases in physical productivity" (7th ed., p. 563). If a "sometimes" were inserted between "strike" and "succeeds" it would not be wrong; but as it stands, it implies that every strike does this, thereby establishing a fallacious connection between strikes and inflation (at least as far as causality is concerned).

Connected with this is the assertion that wages never drop: wage stickiness is an alleged expression of the "imperfect" labor market: "When there is a considerable in-

crease in unemployment—as in sluggish 1970—do wage rates drop as they would in a competitive market? History answers, No” (582). Yet even in the postwar period wages dropped between 1945 and 1947, 1950 and 1951 (in absolute terms the 1945 average was not reattained until 1952), 1956 and 1958, 1965 and 1967, and 1968 and 1969.¹⁵

S holds no brief for those who deny the miraculous properties of our mixed economy. First he shows us a graph indicating that unemployment was dropping in the 1960s, despite the present length and depth of unemployment. Undaunted, S assures us that if it were not for the unpleasant side effects of inflation, we could use fiscal-monetary tricks to get us back to “full employment.” Alas, not even this wish has come true. S would rather revile the critics of the status quo by labeling and libeling their attribution of rising unemployment to intensified structural unemployment as “facile”; we are told that “careful” studies would show that geographic differentials in unemployment are narrowing.

Having polished off all the “facile” objections he can conceive of, S very generously admits in a footnote that “only the intractable situation of high Negro unemployment remains as a puzzle and problem, as also does the problem of getting unemployment down well below 4 per cent . . .” (7th ed., p. 564 n. 11). By early 1975 the problem was to keep the rate for blacks between the ages of sixteen and nineteen below 40 percent.¹⁶

If everything else fails, S can still offer us an incomes policy. Its main function is to centralize still more the automatic efforts of capitalists to prevent workers from “expropriating profits.” Although S distorts the matter by claiming that there is class impartiality here (or at least reports that both sides claim to be disadvantaged without himself offering an opinion), this is hardly the way incomes policies work.

Between 1966 and 1969 net real income of a British median wage worker with three dependents rose from 732 to 748 constant 1959 pounds. The approximately 1 percent annual increase in wages during the incomes policy period

(1965-69) "contrasts with an annual gain in industrial productivity of over 3 per cent." In light of the fact that income tax payments of the average worker rose from 1966 to 1969 by 147 percent, it is no wonder that one study concluded: "Public policy on wage taxation may itself be the most potent of current inflationary forces. It also explains our coincidence of accelerated inflation with spreading recession."¹⁷

In January, 1972, unemployment in Britain reached one million for the first time since the onset of World War II.¹⁸ Yet S claims that Britain is one of the countries that have sought a policy to hold down wage increases to a rate "compatible with productivity advance and stable price" (7th ed., p. 565). He admits that no "definitive solution" has been devised, but one wonders whether the solution is not to keep wage increases *below* productivity increases (that is, to shift income from labor to capital); this is in fact what happened in West Germany, where the incomes policy provided for linking wage increases and productivity only during "business-cycle peaks," while periods of recession and upswing saw the "scissors" opening very much to the disadvantage of the working class. Thus, Ernest Mandel reports that during the recession of 1967 *nominal* wages (i.e., money wages minus taxes, but not deducting cost of living increases) dropped 3.6 percent while productivity rose from 5 to 11 percent (according to different estimates).

In light of the crumbling house of cards S will doubtless continue to extol the wonders of "manpower training, improved worker mobility, and better placement services" (7th ed., p. 564); these are necessary, former Secretary of Labor Hodgson implored, in a letter to the *Wall Street Journal* of November 26, 1971, in order to "correct imperfections" like "the inefficiency in letting nature take its course in bringing the job hunter and the job together."

