CLASSICAL POLITICAL ECONOMY,

THE SUBSISTENCE WAGE, AND JOB GUARANTEE CONCERNS

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In the theoretical framework of classical political economy, including the revisions of Marx and the more recent work of Piero Sraffa and others, the concept of the subsistence wage figures prominently. Here, following a recounting of this concept and demonstrating its significance for not only classical theory but for larger social concerns, I argue that the "base wage" (as it sometimes termed) as articulated within a jobs guarantee program, is (or should be) comparable to the subsistence wage but requires modification to make it (roughly) equivalent. It will be demonstrated that adherents of the classical approach did not rest their wage theory on a quasi-neoclassical supply-demand approach (with some primitive marginal productivity notion lying behind a supposed demand for labor schedule), but understood wages as socially determined where institutional and historic forces established a normative standard around which market wages gravitated. Such an approach was shared by, among others, Thorstein Veblen and John Maynard Keynes.

The Classical Understanding of the Subsistence Wage

While the historical run of classical political economy runs from William Petty through David Ricardo (though not all theorists within this time period were of a classical bent), here I focus only on Adam Smith and Ricardo. In *The Wealth of Nations*, the bulk of Smith's argument surrounding the subsistence wage is found in Book I, chapter 8, "Of the Wages of Labour." In this section, Smith begins by clearly stating a labor theory of value approach to production and distribution, arguing that "(t)he produce of labour constitutes the natural recompense or wages of labour" and that rents and profits are "deductions from the produce of labour…" (Smith 1937 [1776], 64). Within a capitalist form of social organization—far past the "original state of things" when labor appropriated all its output—what then determines labor's share of output? Obviously, this must be based on the (average) wage times number of workers employed. So, what determines the wage?

The wage is a contractual relationship, and this is established in monetary form. As Smith makes clear, workers have an incentive to raise this price, employers to lower it (p. 66). "Masters" have an advantage in such a contest as the basic alternative to selling one's labor (labor power as Marx later corrected Smith) is to starve (p. 67). As well, capitalists have the "civil magistrate" on their side for "(c)ivil government…is in reality instituted for the defense of the rich against the poor, of those who have some property against those who have none at all" (p. 674).

Now, while the market wage will rise or fall based on specific conditions of supply and demand, it tends to gravitate toward a subsistence wage. This standard or "natural wage" ("necessary price" for the Physiocrats) is established independent of any market conditions, indeed, it has nothing to with labor markets at all. Rather, it is determined by a societal norm. "The money price of labour is necessarily regulated by two circumstances; the demand for labour and the price of the necessaries and conveniences of life" (p. 85). By demand, Smith was not referring to the notion of a demand schedule in any particular industry or market, but the aggregate demand for labor as determined by the success of the accumulation process—whether an economy is progressing, stationary, or regressing. In any specific period of time, it is the price of the "necessaries and conveniences of life"—which determines the real wage—that is the defining factor. Wages must be sufficient to support a family or "the race of…workmen could not last beyond the first generation" (p. 68). The "necessaries" of life could be equated to some biological minimum, but the "conveniences" of life are clearly socially determined as what constitutes a basket of such commodities must be based on the social requirements of societies (customary levels of income) in different historical epochs: what is considered a "convenience" item of consumption in 2012 England is not such in 1776.

Smith did not assert that all wages would conform to the subsistence wage. A goodly portion of chapter 8 is taken up with deviations from subsistence based on "place or time" (p. 75). Various reasons are provided as to why such deviations should be expected (pp. 69-86), and emphasis is placed on whether an economy is progressing, stationary, or regressing, these cases affecting the "demand for labour." The point, though, is that the wage level—as a general, average concept, applicable in a given period of time—is socially determined. That is, institutional considerations, history, custom, societal forces in general interact to generate a price for labor that is considered normal. As such, the wage is not determined in some mechanical fashion based simply on demand and supply conditions is some labor market, but is established as a societal standard around which specific wages revolve.

In all this, Smith harkens back to earlier perspectives on the "just wage" (or "just price") as put forward by mainly the Scholastics, in particular Thomas Aquinas. Aquinas' pronouncements were developed in the context of a feudal society (though one already showing signs of transformation) where the wealthy had an obligation to the poor. As a deity had created the world and the social forms that occupied that world, the poor were not responsible for their poverty; nor the wealthy for their wealth. This was simply God's structuring of an ideal world. Thus, "whatever certain people have in superabundance is due, by natural law, to the purpose of succoring the poor" (in Noell 2006, 155). Indeed, Aquinas went so far as to assert that those in extreme poverty could "succor his own need by means of another's property, by taking it either openly or secretly" (Ibid., 156).

While later Scholastics, in particular those of the Spanish Salamanca School, increasingly watered down the earlier position on obligations and proper ethical behavior in supporting the increased market activity developing in the sixteenth and seventeenth centuries, nevertheless, the notion of a subsistence wage as "just" continued to be argued. And it was Frances Hutcheson, taking his cues from Samuel Pufendorf, who brought these views to the attention of Smith in his lectures at Glasgow (Hollander 1973, 32-3).

But it was more than mere theoretical (or ideological) argumentation that informed Smith. In Smith's time, the notion of a "moral economy" still had force. This view "supposed definite, and passionately held, notions of the common weal—notions which…found some support in the paternalist tradition of the authorities; notions which the people re-echoed so loudly…that the authorities were, in some measure, the prisoners of the people" (Thompson 1991, 188-9). This understanding of proper norms, proper understanding of justice, had been supported by custom and was found in Statute as well as common law—what was proper was what had been customary, and custom referenced a just wage, a right to subsistence. By Smith's period, the older, paternalist, moral economy had become increasingly adulterated, increasingly eroded, but it still had force, in particular with regard to the price of bread—and bread might constitute half a working class family's weekly budget (Ibid., 193). Markets for grains were highly regulated, "no sales should be made before starting times, when a bell would ring; the poor should have the opportunity to buy grain…first…with duly-supervised weights and measures." Later, a second bell would ring when licensed dealers, again under supervision, would have the opportunity to make purchases. Forestalling, regrating, engrossing (all of a speculative, price-manipulating nature) were illegal. The activities of middlemen were highly suspect and highly regulated. (Ibid., 193-4.) The world of Adam Smith was not that of advanced capitalism, but one which displayed features of times past. Clearly, the capitalist accumulation process was driving this world out of existence, but sufficient remnants remained, and Smith was informed by these.

The notion of a subsistence wage has significant distributional consequences in classical theory. As the subsistence wage is set outside "the market," and labor, assisted by machinery, produces all output, then, in a two-income world profits are determined by total output (income) generated in the production process minus the share of that income accruing to labor.[1] And Smith was keenly aware that income shares spoke to issues of distributive justice. It's fairly clear that Smith understood justice as favoring the interests of workers: "(n)o society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, cloath and lodge the whole body of the people, should have such a share of the produce of their own labour as to be themselves tolerably well fed, cloathed and lodged" (p. 79; for a fuller account of Smith's position on distributive justice, see Fleischacker 2004, 203–28.). Note, that in his call for "equity," Smith's position lies outside conventional (neoclassical) wage theory and reminds one of the older, "moral economy" world of a right to subsistence.

David Ricardo is overt in his treatment of the subsistence wage:

> Labour, like all other things which are purchased and sold, and which may be increased or diminished in quantity, has its natural and its market price. The natural price of labour is that price which is necessary to enable the labourers, one with another, to subsist and to perpetuate their race, without either increase of diminution. The power of the labourers to support himself, and the family which may be necessary to keep up the number of labourers, does not depend on the quantity of money which he may receive for wages, but on the quantity of food, necessaries, and conveniences become essential to him from habit, which the money will purchase (Ricardo 1970 [1817], 93).

The above contains several important propositions. The subsistence wage is, as in Smith, a standard. Actual money wages will revolve around this standard. The standard itself is established in real terms, including an amount for "conveniences," necessary to maintain the working class at a constant level of population—necessary, that is to allow the reproduction of that class, hence, the reproduction of the economy. Finally, the subsistence wage is established by "custom." That is, there is an historic, institutional context within which this wage is set. A bit later in this chapter, Ricardo specifically states that the natural wage "depends on the habits and customs of the people," and that "(m)any of the conveniences now enjoyed in an English cottage, would have been thought luxuries at an earlier period of our history" (p. 97). The natural wage is not some rock-bottom wage that just allows bare (biological) subsistence—as the so-called "iron law of wages" is sometimes interpreted—but one determined within a social context and one that may be quite high.

Further, "(h)owever much the market price of labour may deviate from its natural price, it has, like commodities, a tendency to conform to it" (p. 94). Ricardo expected that population would respond to a market wage higher or lower than the subsistence wage, eventually bringing the two into accord through the workings of supply and demand (though not in the neoclassical sense—see below). And, in "an improving society"—Smith's "progressive" state—the market wage may be above subsistence "for an indefinite period" as the accumulation process constantly increases the demand for labor (pp. 94-5).

Marx, as is well known, for the most part continued the line of theorizing of the classical economists. Obviously he undertook many modifications, corrections, and developments of this approach. With regard to the issue at hand, he amended the classical theory of wages with the introduction of the concept of labor power. For Smith and Ricardo, wages were paid for the sale of labor itself. This posed a problem. If the working day was 10 hours and wages were paid for the full working day, the labor value of the output produced would equal wages paid. Clearly, this had to be incorrect as profits could then not be conceptually explained. Smith and Ricardo understood this, but could not resolve the problem. Marx's correction was based upon the sale of labor power, not labor. The worker does not sell, nor the capitalist purchase labor. Rather, the commodity exchanged is labor power or "the aggregate of those mental and physical capabilities existing in a human being, which he exercises whenever he produces a use-value of any description" (Marx N.D. [1867], 164). The value of labor power is independent of the hours worked for which the worker contracts. So, what determines this value?

Marx, working within a labor theory of value, argues that the value of labor power is determined in the same way as any other commodity—by the number of hours of labor required to produce (and reproduce) it:

> Therefore the labour-time requisite for the production of labour-power reduces itself to that necessary for the production of those means of subsistence; in other words, the value of labour-power is the value of the means of subsistence necessary for the maintenance of the labourer…. His means of subsistence must therefore be sufficient to maintain him in his normal state as a laboring individual. His natural wants, such as food, clothing, fuel, and housing, vary according to the climatic and other physical conditions of his country. On the other hand, the number and extent of his so-called necessary wants, as also the modes of satisfying them, are themselves the product of historical development, and depend therefore to a great extent on the degree of civilization of a country, more particularly on the conditions under which, and consequently on the habits and degree of comfort in which the class of free labourers has been formed. In contradistinction therefore to the case of other commodities, there enters into the determination of the value of labour-power an historical and moral element (Ibid., 167-8).

Hence, if it requires 6 hours of labor to exchange for the necessaries of life, physically, historically, and *morally* determined, the worker is then paid the equivalent of 6 hours of labor. The remaining 4 hours of labor time contracted for is then surplus labor (or value) out of which profits, rents, interest, etc. are paid.

Marx is very clear that this socially determined subsistence is an average, aggregate concept around which the market wage will revolve and various deviations will occur—different skill levels, etc.. Thus, he was clearly in line with the understanding of the classical giants. Note, however, his overt inclusion of a moral element.

What is the theoretical significance of the classical concept of a socially determined subsistence wage? One first notes that the natural or subsistence wage is determined exogenously. This has significant import. In his contretemps with Paul Samuelson (and, in passing, Samuel Hollander), Pierangelo Garegnani, arguing from a modern classical (Sraffian) position takes issue with the neoclassical supply-demand interpretation of classical theory. To be sure, Smith, Ricardo, Marx, et al. did use such terms, but never in a neoclassical, functional sense. Such references were merely to "points" representing deviations from "natural" prices, including the price of labor (power). In the neoclassical story, if unemployment exists, "one would then have to admit as possible, or even normal, (that) the wage could tend to zero or, in any case, to levels intolerable for the workers, in contrast with experience and indeed with the possibility of survival of society itself" (Garegnani 2007, 193).

On the contrary, "with regard to the general level of the wages, institutional elements would constrain the wage bargains…within limits set by the previous history of the wage, and, in particular, by the notion of subsistence accepted by the community" (Ibid., 194). That is, within classical political economy, supply-demand relationships have nothing to do with "natural" (one might read [non-neoclassical] "equilibrium") prices, including the wage. From the vantage point of a socially determined subsistence wage, one is outside the neoclassical theory. Further, it should be noted that in classical theory wages were perceived as "income." In the orthodox, neoclassical approach, a wage is a "price." This difference has serious implications in distinguishing a Keynesian (or Sraffian) approach to employment issues compared to that of neoclassicism (see, Roncaglia 1988).

The second significant theoretical aspect of the subsistence wage approach is that exploitation and power relationships enter the picture. Observe that in Smith, profits and rents are "deductions" from the "produce of labour." With the exogenous setting of the "natural" wage level, the difference between total output (income) and wages is established. As labor produce all output—the labor embodied theory of value—the share of non-labor income is thus determined. This would constitute what Marx termed surplus value and represents that portion of output produced by labor but which is not returned to (the "productive" portion of) this class—exploitation. In neoclassical theory, no such term exists as in competitive equilibrium—the standard for this approach—all "factors of production" receive the full value of their contribution to output.

As exploitation is then a normal and necessary characteristic of capitalism, one would expect that those on both sides of this relationship would exert force to either increase or decrease the rate of exploitation. In Smith, this is the contest between the "masters" and workers. It's also the contest between capitalists and landlords surrounding the distribution of the surplus. Ricardo seems clear on these "class struggles" (in Marx's terminology), though his technical appurtenances somewhat conceal this aspect of his general theory. Nonetheless, some observers saw this feature of Ricardo's line of argument as damning. As Henry Carey wrote in 1847: "Mr. Ricardo's system is one of discords…. (I)ts whole tends to the production of hostility among classes and nations…. His book is the true manual of the demagogue, who seek power by agrarianism, war and plunder" (1967 [1847], 75). Keynes reported that Herbert Foxwell "failed to deliver his presidential address on Ricardo to the Royal Economic Society…on the ground that his onslaught on the man, who had convinced the world of the dreadful heresy of a necessary conflict between the interests of capital and labour, would have been too provocative" (Keynes and Collet 1936, 592). As Thomas Sargent put it recently, "Of the tendencies that are harmful to sound economics, the most seductive, and in my opinion the most poisonous, is to focus on questions of distribution" (in Milanovic 2011, vi).[2]

The third aspect is that of the "moral" element à la Marx (though usually implicit in Smith and Ricardo). In classical theory, a societal element strongly influences the determination of wages, thus, the determination of all incomes (as above). Incomes and income shares are not simply the result of the "technical coefficients of production," as in the neoclassical story, but are strongly influenced by social norms: there is an ethical standard to which wages are to conform and this tempers, to some degree at least, the self-interested behavior that, in part, characterizes capitalism. The "class struggle" is "contained," in a sense, within limits established by an ethical component that precedes and lies outside capitalism itself. A value system enters economic analysis. Another way of saying much the same thing is that the economy is embedded in larger society. Clearly, this represents a distinct difference from neoclassical theorizing in which such matters are to be eliminated from consideration.

Concern with ethical matters transcends classical theory. It was clearly a component in the early proto-socialist movements of the post Industrial Revolution period in England. Robert Owen, William Thompson, John Gray, et al. all put forward ethical arguments surrounding the attempt to found a "moral economy" (see, Claeys 1987). One finds similar positions in Keynes and Veblen. It can be noted that the early, pre-*General Theory* Keynes spoke to the issue of wages as an income share both outside some hypothetical labor market, and also to be established on the basis of some notion of fairness, of reasonableness:

> "It is not only in the direction of the regulation of capital that the state must be prepared for new functions. It must be prepared to regard the regulation of wages of great industrial groups as being not merely of private concern, and it must quite deliberately in its wages and hours policy treat the gradual betterment of workers as the first charge on the national wealth" (Keynes [1927] 1981, 646).
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> "Further, it is time to raise the question as to whether society should institute a policy of paying wages on a "fair" and "reasonable" basis" (Keynes, [1925a] 1972, p. 303).

In *The General Theory* and after, Keynes registers a similar position:

> The outstanding faults of the economic society in which we live are its failure to provide for full employment and its arbitrary and inequitable distribution of wealth and incomes …. For my own part, I believe that there is social and psychological justification for significant inequalities of incomes and wealth, but not for such large disparities as exist to-day. There are valuable human activities which require the motive of money-making and the environment of private wealth-ownership for their full fruition . . . . But it is not necessary for the stimulation of these activities and the satisfaction of these proclivities that the game should be played for such high stakes as at present. Much lower stakes will serve the purpose equally well, as soon as the players are accustomed to them . . . . (Keynes [1936] 1973, 372-4)

Observe: the use of terms such as "fair," "arbitrary," and "inequitable" takes us outside any neoclassical version of labor markets, supply-demand, and marginal productivity considerations. While Keynes does not specify what determines wages, one can venture that they must be linked to societal forces within capitalism and can be set at "any" level.

Thorstein Veblen also promoted the notion of a socially determined wage (or income), though with a significant modification. For him, expenditures of "the great body of the people" (that is, workers) beyond that required for physical comfort is determined by "a desire to live up to the conventional standard of decency in the amount and grade of goods consumed…. The standard is flexible" (Veblen 1922 [1899], 102). While a portion of this "customary expenditure" is "wasteful," thus "honorific," this portion becomes indispensable for one's "spiritual well-being" (Ibid., 102-3). "Emulation" is built into workers' (and others) expenditures, thus, constitutes an element in determining the socially acceptable wage. As the expenditures of the capitalist class, the wealthiest portion of society, drives the emulative process, this class must then consider the socially acceptable standard when determining the standard wage, and deviation therefrom. "The canon of reputability, then, must adapt itself to the economic circumstances, the traditions, and the degree of spiritual maturity of the particular class whose scheme of life it is to regulate (Ibid., 105).

Now, what has all this to do with a "Job Guarantee (hereafter, JG) Program"?

The "Base-Wage" and a "Job Guarantee Program"

In the last two decades, various economists have put forward proposals promoting a policy where governments, at least those with "sovereign currencies" such as that of the United States, are called upon to provide jobs for all those able and willing to work at a government-imposed wage. Such proposals are framed under different designations—the "Buffer Stock Employment

Model," "Employer of Last Resort,"[3] etc.—but they all amount to much the same idea. Basically, private firms cannot guarantee that all those who want a job will be offered one. Capitalist economic forms of organization almost always operate with some degree of unemployment. Indeed, capitalism is the only form of economic organization where unemployment exists. As this is the case, governments, ostensibly representing the well-being of the population as a whole, have a duty to provide jobs for all those willing and able to work as well as training for those the private sector leaves adrift.[4] Further, while this goes far beyond the scope of this paper, some form of a jobs guarantee program is directly linked to a government's ability to spend without significant constraints given its control over its own money (Wray 1998a).

Here, I am concerned only with the relationship of the classical notion of the subsistence wage and the wage that governments will pay workers in some variety of a jobs guarantee program, and this wage's relation to prices in general. A few words, however, must be said with regard to government responsibility in creating jobs.

In the propertied economy termed capitalism, ownership (or control) of property must meet certain conditions if property itself is to be considered ethically sound. Such an economy over the course of its development will be comprised of a minority (in the modern era, as small minority) of owners, and a large (an increasingly larger) portion who are propertyless. As a consequence, those who end up without property are dependent for their income—thus, their subsistence—on securing employment offered by those who control the means of production by which output is produced. The constraints imposed on property owners for an ethically sound propertied society go back to John Locke, generally considered to be the father of property rights theory.

Locke, while certainly condoning private property in land, etc., imposed two constraints that must be satisfied if such a regime is to be morally tenable. In the second volume of his *Two Treatises of Government*, Locke specified the conditions that must be satisfied in order for property to be deemed legitimate. Initially, any property taken from "the commons" (public or collective property) had to be based on one's labor that was expended to improve that property. (While Locke focused on landed property, his argument applies more generally.)

But, there were two further conditions that had to be met, labeled the "prejudice" and the "spoilage" constraints—and these were seen as moral constraints. Essentially, the prejudice constraint means that no one can be disadvantaged by another's appropriation of property; all must benefit, though some may benefit more than others. The spoilage constraint connotes that none can seize property beyond that which can be used by one's own labor. If either constraint is not satisfied, two options are proposed: the disadvantaged have the right to revolt and overturn a private property regime, or government has the obligation to step in to rectify the situation in the interests of the community at large. In Locke's argument, there is a right to subsistence. (The above two paragraphs are taken from Henry 2012. See Henry 1999 for an elaboration of the above.)

We first note that both constraints have been violated, even though Locke continues to be invoked in the theoretical defense of a capitalist propertied order. Capitalism since at least the industrial revolution period (that varies from country to country) clearly violates the spoilage constraint as modern property holdings far exceed the ability of owners to work that property with their own labor. Second, unemployment—a singular characteristic of modern capitalism—clearly "prejudices" those who are required to find employment to secure their subsistence. Hence, governments are *required* to rectify at least the second, prejudice, condition, and this *requires* governments to seek ways to do so. Thus far, the "solution" has been limited to such palliatives as unemployment insurance, various welfare schemes, etc. These have proven insufficient at best. A far better remedy is that of a job guarantee program as the basic problem is unemployment itself.

If governments are to be charged with providing jobs for all who want to work but who cannot secure employment in the private sector, what should the government wage be? It has been argued that it cannot be at or above the (average) wage paid in the private sector as then all workers would gravitate to the government sector—at least to the extent that workers are motivated solely by the wage—and the private sector would collapse. So the government wage must be set below the current average private sector wage. I shall deal with this issue below. Note, initially, that such a government wage has nothing to do with supply-demand or market considerations: it's administered.

The lowest possible level for this wage would be at that level that would guarantee biological subsistence and reproduction. While this is theoretically possible, it's not socially acceptable as recipients would then live in abject poverty. While they might feel emotionally better as they are now working, they would be no better off—and probably worse off—economically than if they were receiving some form of government assistance.

The next wage level to consider is that consistent with generating a yearly income equivalent to the poverty level—currently $23,050 for a family of four in the U.S. If one assumes a one-worker household, a 50 week work-year, and a 40 hour work-week, this amounts to an hourly wage of $11.53. Obviously, the wage would have to be different for different size households, and this in itself could be problematic. Among other factors, different workers would have to be paid different wages for the same job. (Coupled to such issues, one could add matters associated with calculating the poverty level itself, but that's beyond the scope and point of this paper.) These problems can be addressed through various support programs designed to supplement a JG employee with a family larger than four members. There is no reason why JG employment needs to fully substitute for any current welfare program; such programs would simply complement JG employment—and at much lower levels.

But, should the JG wage be set at some poverty level rate? If one returns to the classical position in the context of a more recent work, that of Piero Sraffa's *Production of Commodities by Means of Commodities* (1960), a more nuanced argument might be tendered. Sraffa's work is highly technical and seems to be merely a demonstration of the interrelationships of the various elements (inputs and outputs) that constitute the production relations of an economy, specifically a capitalist economy. “Hidden” within this argument, however, is a most important notion; that, a successful capitalist *society* requires that the population, in particular the leading sections of that population—government officials, large business leaders, etc.—accept the idea that all members of a country’s population must exist in a state of “viability.” In order for a relatively healthy economy to exist, the society that supports that economy must not only exist but itself be healthy. One cannot examine merely the economic organization as a separate entity with a supposed life of its own. One must understand that economy in relation to the larger social order within which it functions. In a sense, this is a return to the “embedded,” “disembedded” debate of the 1950’s that was prompted by Karl Polanyi’s argument in *The Great Transformation* (1944). While conventional (neoclassical) economic theory seeks to examine a hypothetical economy independent of society, Polanyi (among others) argued that such an approach was fundamentally flawed: all economies, whatever their specific form, were contained (embedded) within society. To ignore society, thus, social relationships, institutions, various arrangements, etc., implies that all economies were essentially the same (hence, the “universal” theory of neoclassical economics, independent of time and place) which meant that one could never examine or understand any specific economy. (For a summary position on this debate, see Swedberg and Granovetter 1992. For applications of the embedded position, see Dalton 1971.)

“Viability” for many heterodox economists is merely a specification of the necessary *technical* features of an economy that allow for that economy’s reproduction. For Sraffa, however, viability “is synonymous of (sic) *survival* of the system as a whole—a characteristically *holistic* goal to be pursued by *any* human community” (Chiodi 2010, 324; emphases in original). Economic surplus, that output which allows an economy to grow is “a *social* construction, an ultimate reflection of *ethical, religious, and political values* existing in the system and shaping…the relationships among people” (Ibid; emphases in original).

What is important in this regard and in connection with the subsistence wage in classical theory is that is that labors’ income is “determined from *outside the system of production*… independently of and prior to any economic valuation” (Ibid; emphasis in original). In other words, there is a set of goods that is seen as socially-determined necessities for workers’ sustenance and this has nothing to do with what an economy is capable of producing (though such capability may well be an element in what society deems necessary—an historically-determined “calculation”).

The point here is that the “appropriate” level of subsistence is not a mathematically calculated minimum necessary for the economy to function. Were that the case, subsistence would be a biological minimum that would allow sufficient life spans and population reproduction to sustain the economic organization—how many workers are required and how long do such workers have to survive in order to provide sufficient labor power at sufficient levels of productivity. Society would then approximate that of the German labor camps of the 1930’s and 1940’s where just such calculations were made in order to supply enough labor power to the corporations for which these camps were operated—BMW, Krupp, IG Farben, Mercedes, etc.; one should not ignore in such a list Fordwerke and Opel AG, the German subsidiaries of Ford and General Motors. (See Tooze 2008 for the significance of this minimum determination of "subsistence" and its relation to the larger German economy and its war machine.) Rather, the policy objective should be directed toward providing a "*decent* standard of subsistence…(so) as to permit its members to appear in public without shame" (Chiodi, Op. cit., 328; emphasis in original).

I am not here proposing a "number" for the jobs guarantee government-administered base wage. This is the subject for empirical work, debate, and modification over time. Nor do I argue that there won't be various problems associated with such a wage. In addition to issues such as family size, etc. (as above), there most likely will be concerns regarding small business organizations such as family-owned restaurants employing very few workers which operate at very low rates of profitability and the like. Obviously, there will be a number of specific concerns that must be addressed. But, following Keynes, I am reasonably confident that these problems can be sorted out and programs can be instituted to accommodate those firms that are seen as worthy for the larger community: "As soon as we have a new atmosphere of doing things, everybody's brains will get busy, and there will be masses of claimants for attention, the precise character of which it would be impossible to specify beforehand" (Keynes [1926] 1972, 99).

So, how should we "get busy" in undertaking the task of determining the base wage? I propose that we start at the end of the process. Determine the quantities of goods and services that allow all members of society to "appear in public without shame." That is, establish the income in real terms that would allow all to enjoy a decent standard of living and comfortable existence. Then, in money terms, set the base wage at this level. Whether this is $20, $25, or $30 per hour will be determined by the amount of goods and service required to satisfy such conditions. Granted, this will be "arbitrary" in some sense, but, following Keynes, et al., so is the current wage standard.

This does raise various issues or concerns, of course. Most likely the main issue that must be addressed will be a distributional impact resulting from the imposition of a government wage. Increasing the wage share of national income obviously reduces the share directed toward "capital"—profits in particular. Business enterprises that have (some) control over pricing may and probably will increase those prices to compensate for their reduced profits. As Michał Kalecki (1971) (among others) noted, unemployment serves as a disciplining mechanism, reducing the hopes of workers to realize their wage-increasing objectives. Hence, with full employment and a guaranteed subsistence wage imposed administratively, capitalist enterprises lose a major mechanism in keeping profits at conventional levels. A probable solution to this "problem" is that of raising prices. Hence, there may be a one-time increase in prices, but there is no coherent theoretical argument that would suggest a continuing inflationary trend. (On this and other points, see Mitchell 1998.) Granted, a jobs guarantee wage set at a subsistence level that not only permits a healthy society but in which "its members (can) appear in public without shame" will no doubt shift distribution toward wages and away from profits, but capitalism can function at "any" rate of profit as long as absolute profits are sufficient to replace capital equipment (and provide "sufficient" incomes to "entrepreneurs.") One should also be mindful that, following the "Kalecki equation," profits are the outcome of capitalist investment plus capitalist consumption plus government deficits plus net exports. They are not based on workers' wage levels. The stakes may be lowered, as per Keynes's statement above, but the game can still be played.

Conclusion

Theory matters. As theory informs the way we see the world, theory also informs the way we examine various issues confronting that world. The important consideration here is that, following the theoretical lead of Smith, Ricardo, Marx, Keynes, Veblen, Sraffa et al., the wage standard—the "natural wage" by which all wages are determined—is set outside capitalist markets; it's "administered," either by "custom" or through government authority. Any submission to neoclassical theory—supply-demand, marginal productivity—runs counter to this theoretical position and puts one on the other (wrong) side of the debate surrounding the appropriate base wage. Further, following Locke, governments have a responsibility to provide employment if private sector business enterprises do not satisfy the output conditions necessary for full employment. Along with a jobs guarantee program, a determination of the appropriate wage level for such jobs must be made. I suggest that this level satisfy Sraffa's call for a decent life for all.

Notes:

1. If one confines the argument to two economic classes, workers and capitalists, the distributional question is solved: profits are a residual and the only such residual. The problem arises when considering three class incomes. Rents are also a residual ("deduction" in Smith's terminology). Unless rents and profits can be separated where either is determined independently—as wages in Smith's theory—one cannot divide total income into its respective shares. This problem was left to Ricardo to solve.

2. To be fair to Sargent, his argument focused on *re*distribution as a solution to poverty, arguing that increased production has had a much greater effect on poverty alleviation. However, the standard economists concern regarding the "poisonous" nature of inquiries into distribution remains valid.

3. This specific term can be traced to Hyman Minsky, 2008 [1986], though there are hints of such a program as early as 1923 in the work of Walton Hamilton: see, Rutherford 2013, 66.

4. For brief introductions to such programs, see Mitchell 1998; Wray 1998b. For a much fuller analysis, see Wray 1998a. As well, many papers published by the Levy Economics Institute of Bard College speak to these programs: http://www.levyinstitute.org/. In particular, Jan Kregel, Pavlina Tcherneva, and L. Randall Wray have written extensively in the various series published by this organization. Last, the New Economics Perspective blog of University of Missouri-Kansas City contains any number of essays and discussions speaking to the ELR: http://neweconomicperspectives.org/.

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