Donald R. Stabile, *The Living Wage*, Cheltenham (UK) and Northampton (MA, USA), Edward Elgar, 2008, pp. 000.

Professor Stabile’s main thesis is that most classical economists cared about social justice, which he equates with a living wage. They saw a living wage as including more than caloric survival, but three other elements around which Stabile organizes his book. These are Sustainability, meaning enough to survive and reproduce by supporting a family; Capability, meaning enough to improve one’s self to participate in contemporary society (e.g., to own a car in modern exurbia, or a suit and clean shirt in modern offices); and Externality, meaning enough not to impose social costs on society external to the employer. Today’s rejection of the living wage idea derives rather from neo-classical economics, and has grown even harsher since Rose Friedman’s declaration that capitalism has overcome poverty.

Stabile’s style is charmingly, disarmingly pedagogical, aiming to stimulate thought and dialogue without imposing any firm conclusions. His method is to glean the ideas of past economists, back to Adam Smith, on Sustainability, Capability, and Externality. His declared goal is not to define either the living wage or social justice, but to consider «economic issues», presenting both sides – i.e., to write a two-handed textbook in the history of economic thought. That being so, he naturally covers a great deal of trodden ground, but by focusing just on the living wage he avoids either wandering aimlessly, or boring the jaded scholar. His relaxed style lets him bring in Marx without hysteria, which helps the questing reader see the substance behind the overwrought oratory of both pro- and anti-Marxists.

By the end, however, it becomes clear that Stabile is pushing a viewpoint after all: he is invoking classical political economy on the side of labor unions. This is not the same as a ‘pro-labor’ view – there is little about unemployment, or maximizing the demand for labor in general per macro-economic policy. Even unemployment insurance, lightly treated, should come from workers. The thesis is about how to get higher wages for those who have jobs. Several pages are devoted to two union economists, Solomon Barkin and Ben Seligman. Bright as they may be, it is strange to juxtapose them with the giants of economic thought. Stabile, as their biographer, knows them well, but the rest of the world does not.

Several of the classicals, it seems, supported a living wage. Some even supported labor unions (but not a minimum wage law, as that would entail government action). Smith saw employers as a tacit monopsony, or at least cartel, against which labor needed to organize («countervailing power» before Galbraith). So did J. S. Mill and Alfred Marshall, plus even R. T. Ely and J. B. Clark, whom Stabile treats with sympathy because they professed to support unions. With a little cherry-picking, Stabile ignores some of the extreme doctrinaires who earned classical political economy the name of The Dismal Science. That name, however, should remind us that some Classicals like Nassau Senior invoked Political Economy to rationalize ethnic cleansing in Ireland. Malthus is treated only briefly, and that with respect to his wages-fund theory, not natural scarcity. Ricardo is missing. There is nothing here for ecological economists; no concern with diminishing returns to scarce resources. Stabile is no more worried about the limits of The Earth than, say, Julian Simon or George Gilder on the Right.

Classical political economy was the science of the production and distribution of wealth. The concern with distribution invoked Bentham’s ideas on diminishing mar-
original utility. Bentham even had a hierarchy of needs, 150 years before Maslow. The more liberal classicals therefore wrote from an implicit assumption in favor of transferring goods from the rich to the poor. They had no respect for what Smith called «The Parade of Riches» (125 years before Veblen). This gave their work a vague Robin Hood quality until Pareto persuaded many theorists, more willing than reluctant to be led, that interpersonal comparisons are not valid. Neoclassical economists began cutting Distribution out of the discipline, limiting economics just to «The Allocation of Scarce Resources among Competing Ends», supposedly a more purely ‘scientific’ topic.

Stabile covers distribution without identifying those with whom labor shares the total product. He makes them a blur, that he variously calls «society», «the affluent», «employers», «the community», «capitalists», «the rich», «business», etc., without telling us how they became and remain rich without working, and why we should care about them. The classicals whom he is discussing were quite plain about the roles of land and capital, terms missing from Stabile’s text or index.

As to Sustainability (reproduction) Malthus obviously opposed it, but Stabile finds that many classicals saw a need for wages high enough to let workers reproduce and support families. Marx was perhaps the only classical to observe it is low wages that raise birthrates, as people spawn children to work and help the family survive. Stabile does not note that laws mandating education and outlawing child labor would reverse those forces, enhancing the demand for immigrants to fill the gap – a pregnant topic left outside the delivery room.

The liberal classicals (Smith, Mill, Marshall, Pigou, et alii) saw a living wage as one that also let workmen enjoy ‘decency’, according to the lights and customs of the time and place. This meant enough to participate in society (even though debate over the Corn Laws, which Stabile omits, was centered on food prices). Apparently the Classical said little about medical care or provision for emergencies or old age – at least Stabile says little. On the point, note that future Justice Louis Brandeis wrote in 1911 that insurance against «accident, sickness, invalidity, premature death, superannuation, and unemployment, should be recognized as part of the daily cost of living…». That was at the height of the Progressive movement. By 1963, Progressivism had receded enough that LBJ, as part of the War on Poverty, touted Mollie Orshansky’s poverty-line annual survival budget of $3,165 for a family of four, with no provision at all for medical care. (Orshansky assumed, perhaps reasonably for the times, that ‘The Great Society would provide this.) The glare of this omission may be judged by its having become the #1 political issue of 2009.

To liberal Classicals a living wage was just part of their wider concerns with social justice, poverty, distribution, and… Morality! Most of those are missing from modern ‘mainstream’ economics with its sterile abstract models. Smith, of course, published on morality before he touched economics. Marx, while seeing himself as more ‘scientific’ (objective?) than others, defines poverty invidiously, comparing one’s self with the very rich. Piling irony on irony, extremes met: Rose Friedman made the same point in the 1960’s. To Marx, of course, that was part of a case for equalizing incomes; to Friedman it was part of a case for obviating LBJ’s «War on Poverty».

On «Sustainability», Stabile misses the opportunity to speak to the ‘dink’ phenomenon (Double-Income, No Kids). The sexual revolution and women’s rights movements have inflated families’ ability to pay for housing. The perverse «treadmill effect» is to inflate land and therefore housing prices, thus forcing housewives onto the job market, so that having the double income turns into a solution that creates its own problem. «Keeping up with the Joneses» among old-stock Americans shuffles the matter of reproduction off to immigrants who never read Betty Friedan, and can
procreate on survival rations in roach motels. Stabile does mention that Marx and Ely have touched on this matter before, but only in passing, and without seeing the treadmill problem any more than Stabile himself does.

Stabile uses «Externalities» to mean social costs outside the workplace (e.g., Emergency Room medical care) that a low wage cannot cover, and others therefore must bear. It is what J. Maurice Clark meant by «social overhead costs». That definition contains a hidden tendentious premise that employers per se, as opposed to other taxpayers, should bear such costs. Clark says it in so many words, which Stabile echoes. He does not see, or perhaps does not care, that this is tantamount to imposing the Living Wage as a kind of payroll tax, to relieve property, and property income, from responsibility and taxes.

A Living Wage, seen as a payroll tax, bears on those who use their land, capital and enterprise to make jobs, in the measure that they make jobs. It handicaps labor-intensive firms like the corner bakery relative to, say, an Exxon, a Georgia-Pacific timber company, an Irvine Estate, a REIT, a hedge fund, a private equity fund, or a Catelus, whose profits of several million dollars per worker come from resources, capital, tax-avoidance and lobbying. Thus this apparently benign, socially-minded and pro-labor living wage is a short step away from the most regressive and anti-labor tax we have. Nothing is said about how the living wage might be generalized from a lucky few to labor in general, as in the proposals of a Keynes or a George or a Hanson that aim to raise the demand for all labor.

Stabile recognizes, formally, that his use of «Externalities» is idiosyncratic, and different from the usual meanings. He then goes right ahead with the pollution analogy, not recognizing how it tangles his analysis in a web of false metaphors. He even invokes The Coase Theorem, as though it applied and supported his case. From here on his prose grows twisty, and his findings misleading. There are several minor errors one could nitpick, as well as new revelations worth signalizing, but the overall evaluation has to be of good intentions gone awry, revealing that the philosophy of modern unionism is too narrow to engage and inspire labor as a whole.

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This collective book offers a stimulating spectrum of interpretation of the development of economic ideas in Russia from the sixteenth century Muscovy to the latest post-Soviet debates.

The editors of this collection are experts in the history of Russian and Soviet economic thought (and so are the authors of the chapters). Vincent Barnett already contributed to shed lights on famous Russian economists, such as Tugan-Baranovsky, Slutsky and Kondratiev (including the publication of his selected works in English), and also on lesser known Soviet economists, such as Pervushin (on trade cycle) or Yurovsky (on monetary issues). He recently published two fundamental monographs that introduce Russian economic thought to a wide audience (Barnett 2004, 2005). Joachim Zweynert, on his side, wrote a tremendous monograph on nineteenth century economic thought in Russia highlighting à la Pribram (vs à la Blaug) a particular attention to the influence of religious orthodox thought on economic methodology (Zweynert 2002). His works mainly concern the nineteenth century and the recent post Soviet experiences.