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A Marxist Argumentative Scheme on Basic Income and Wage Share in an Anti-capitalist Agenda

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Abstract: In this article, we present an anti-capitalist argument for basic income based on its predicted effects on the wage share dynamics and its relation with the working class' bargaining power. Our considerations are located in the Marxist tradition and based mainly on contributions to the Marxist analytical framework made by Rosa Luxemburg and Michał Kalecki. We argue that basic income should lead to a rise of the share of wages in the GDP, by significantly improving workers' bargaining position in various ways: through increasing the effective demand and investments by redistributing income to the advantage of the poorer groups of the society; through guaranteeing the realisation of basic needs outside the labour market; through positive influence on the collective bargaining power, especially during a strike; and through enhancing engagement in alternative relations of production as well as in political struggle for a better situation of working people. We also distinguish some necessary conditions in a realistic historical scenario where the positive, anti-capitalist dynamic launched by basic income could be set into motion.

Keywords: wage share, basic income, Marxism, economic democracy

Introduction

After a long course of history full of reforms, counterreforms, and constitutive democratic achievements in several scopes of social life, many countries have political and economic regimes that enable a certain level of conditions of well-being and freedom. Nevertheless to realistically expect a significant step forward with regard to those values, we need to get rid of the capitalist mode of production as well as capitalist social relations. If we want to make a case for economic democracy from an anti-capitalist perspective, we should relate our

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considerance to the achievements of the Marxist tradition, which provides us with very useful intellectual tools – to start with, class analysis – for understanding and criticizing capitalism in its logic, as well as its historical and spatial developments.

One of the crucial inspirations we can take from Marxist way of thinking is the constation that we cannot elude how capitalist economies are still profoundly rooted in class conflict. Nor we can escape the fact that achieving a higher level of conditions for living and freedom goes necessarily through addressing, politically, this boisterous human crust of modern times. Therefore, regarding basic income, a fundamental question for any anti-capitalist mind is how, in this very concrete historical period, an economic reform as such can impact on class struggle dynamics in order to improve the conditions for superseding the monetary economy system based on exploitation and dispossession, i. e. contemporary capitalism.

Many thinkers from the Marxist tradition have based their work on this ground, notably Rosa Luxemburg and Michał Kalecki among them, who mastered the art of giving political answers to – apparent – economic problems. And yet basic income has received very few contributions from their particular angle on political economy. In this article we present an anti-capitalist argument in defence of basic income regarding this issue. Our general purpose lays in rising some questions following the analytical framework of both authors, about the possible outcome of applying a political program – for which there may be some reasons to consider it opportune, at least in most of European countries – that includes basic income under some specific conditions.

The anti-democratic core of capitalist economies

In *Capital* Marx presents labour power as a commodity, but always with the attribute “specific”. It is a *specific* commodity because it cannot be separated from its seller and it is the only commodity that in the process of its (productive) consumption is creating value. The value of labour power is also specific because its determination “contains a historical and moral element” (Marx, 1976, I:275). More precisely, it contains a particular¹ historical element, that is to say that the value of labour power is determined by the current state of class struggle between capitalists and workers. However we can also say that it is *specific* because its own value is not, as it is with every other commodity,

¹ The value of most of other commodities is also historically and culturally determined, but in the case of labour power this determination of class struggle is crucial.

socially necessary labour time needed to produce it.² The value of labour power is “the value of the means of subsistence necessary for the maintenance of its owner” (Marx, 1976, I:274). These means of subsistence are of course bought by the workers from their wages which are prices paid by the capitalists for using their labour power.

To understand different types and aspects of wages we have to look into the works of Rosa Luxemburg. In her *Introduction to Political Economy* Luxemburg distinguishes two types of wages: *absolute* wage and *relative* wage. The first one can be expressed as a *nominal* wage, i. e. a sum of money, or as a *real* wage, that is “a sum of means of subsistence that the worker can buy for this money.” (Luxemburg, 2014, p. 287) However the *relative* wage³ is defined by Luxemburg as “the share that the worker’s wage makes up out of the total product of his labor” (Luxemburg, 2014, p. 283). Therefore it implies a reversed rate of exploitation.⁴ According to Luxemburg in the capitalist mode of production the *absolute* wage (both nominal and real) can rise, but the relative wage can only continuously decline, because of “the progress of technology that steadily and relentlessly reduces the share of the worker.” (Luxemburg, 2014, p. 285) In her opinion the fall in the relative wage is “a simple mechanical effect of competition and commodity production that seizes from the worker an ever greater portion of his product and leaves him an ever smaller one, a power that has its effects silently and unnoticeably behind the back of the workers.” (Luxemburg, 2014, p. 287).⁵ Therefore, the

2 Marx writes that “The value of labour-power is determined, as in the case of every other commodity, by the labour-time necessary for the production, and consequently also the reproduction, of this specific article” (Marx, 1976, I:274), but when he equates the value of labour power with the value of means of subsistence he clearly shows that it is different to other commodities, the value of none of which is reducible to the value of commodities used in its production (constant capital). In fact, as Michael Krätke puts it, Marx “treats the process of consumption as an automatism that requires no human labour input” (Krätke, 2009: 164) and does not add any new value to the value of the means of subsistence to create the value of labour power.

3 Marx also uses the notion of *relative wage* in his *Wage Labour and Capital*. In his view it “expresses the share of immediate labour in the value newly created by it, in relation to the share of it which falls to accumulated labour, to capital.” (Marx, 1847)

4 According to Marx the rate (degree) of exploitation or rate of surplus-value is surplus value divided by variable capital. (Marx, 1976: 326)

5 This law is perfectly consistent with Marx’s theory of the extraction of relative surplus-value. It is worth to remember that the relative wage can be also diminished by the prolongation of the working day (extending the production of the absolute surplus value). (Marx, 1976: 645)

real wage can rise at the same moment that the relative wage falls.⁶ In fact, according to Luxemburg, the struggle fought by labour unions that is concentrated only on real wages plays an “organic role” in the capitalist wage system, because these unions legitimize capitalism as a system which can favour workers. The same possibility of rising the rate of exploitation while rising the real wages (wealth) of workers opens possibilities for the consensus between capitalists and workers.⁷ However the struggle over the relative wage, she writes, is an anti-capitalist struggle: “The struggle against a decline in relative wages is thus no longer a struggle on the basis of the commodity economy, but rather a revolutionary, subversive initiative against the existence of this economy, it is the socialist movement of the proletariat.” (Luxemburg, 2014, p. 286)

One of the greatest followers of Rosa Luxemburg, Michał Kalecki, convincingly opposes two points of this approach. Firstly, the capitalist system does not need to rely on exports to the other parts of the world, because it can create necessary demand through budgetary deficit spending (Kalecki, 1991). Secondly, the struggle to rise the wage share in GDP is not directly an anti-capitalist move – in fact, it can be also functional to the accumulation of capital as well as the better use of productive capacities. By creating adequate effective demand, a greater wage share enables the surplus value to be realised and become profits. However, even if a higher wage share means more profits (absolutely, not relatively), it also may strengthen the working class position and (together with small or none unemployment, which is the direct effect of more opportunities for profitable productive investments created by the greater effective demand) become an obstacle to discipline the workers in the workplace. Workers’ relative power against capitalists’ becomes greater, which enables them to fight for a higher degree of influence

⁶ Which was obvious also for Marx, who in 1847 in the work *Wage Labour and Capital* writes explicitly that “[r]eal wages may remain the same, they may even rise, nevertheless the relative wages may fall.” (Marx, 1847) This clearly shows how incorrect were all those who attacked Marx by attributing to him a theory of the absolute impoverishment of the workers under capitalism, e. g. Pareto, von Mises, Schumpeter and Popper (as well as Marxists like John Strachey or Fritz Sternberg). (Mandel, 1976: 69–70)

⁷ According to Luxemburg this consensus (and capitalism itself) cannot last forever. On one hand the rising rate of exploitation is the only possibility to constant accumulation of capital, but on the other hand reducing the share of wages creates a situation of underconsumption, i. e. the lack of necessary effective demand for the produced goods (the problem with realisation of the extracted surplus-value). These can be solved by extension of capitalist markets through appropriation of non-capitalist ones, but obviously this solution has its geographical limits. (Luxemburg, 2003)

over the process of production and to establish a more propitious ground towards the abolition of capitalism. Therefore struggle for the rise of the wage share is eventually anti-capitalist but not because of direct, economic reasons, but indirect, political ones. (Kalecki, 1943)

In the late sixties and seventies many economies came close to this “kaleckian moment”, in which the intrinsic, power tensions between classes became strong enough to lead to a political turn. In the face of rising trade union conflicts and the threat of a systemic change, capitalists launched a counter-attack based on the globalisation strategy, which gave birth to the new neoliberal era, as has been convincingly developed by many authors (Duménil & Lévy, 2004, 2011; Harvey, 2005; Saad-Filho & Johnston, 2004; Toporowski, 2010; Varoufakis, 2013). This neoliberal era was characterised by high unemployment rates, smaller growth and significantly lower wage shares in GDP. To achieve that, the neoliberal reforms used liberalisation of trade, deregulation of labour markets and gradual dismantlement of the welfare state. As a result of this globalisation strategy “the global supply in the globalising economies trebled” (Standing, 2011, p. 28). After the beginning of the current crisis in 2008, it seems to be more and more obvious the need to launch a new strategy to fight for a greater wage share.

Basic income and wage share

To evaluate if a proposal is a revolutionary reform, i. e. leads to strengthening workers to enlarge their possibilities to put an end to capitalism and establish a new mode of production, implies asking about its effects on the wage share. This is what we propose that should be done with universal basic income, one of the most discussed proposals in recent years. How should it affect the dynamics of wage/profit share?

We argue that a basic income should lead to a rise of the share of wages in the GDP, by significantly improving their bargaining position in various ways. Firstly, the bargaining position of workers would improve due to the macro-economic consequences of implementing a basic income system. This reform, by redistributing income to the advantage of the poorer groups of the society would increase internal effective demand creating a better ground for profitable investments. That should induce investment, which depends on sales and expected profitability, which may increase employment and decrease the unemployment

rate.⁸ The existence of a huge group of unemployed or, as Marx puts it, the industrial reserve army, creates a downward pressure on wages, because it plays a role of a scarecrow discouraging the workers from struggling for their rights, better conditions of labour and higher wages. As this role is directly proportional to the level of unemployment, the smaller it is the lesser intimidated the workers are.

Secondly, basic income would increase the wage share, because it would get the workers away from the tight corner – as long as this benefit would exist, they would never have to worry about the survival of themselves and their families. Therefore, in the worst of cases they could resign from some particular job if they perceived it as not satisfactory (in terms of wage or working conditions) and have time to look for a better job (also in a different city or region). In this sense a basic income would obviously improve workers' bargaining position, especially in the pay negotiations (Vanderborght, 2006, p. 5–6).

Thirdly, apart from an individual bargaining power, a basic income could also have a positive effect on the collective bargaining power, especially during a strike. As Yannick Vanderborght puts it:

... a BI would make each single strike less harmful financially, since workers would keep their entitlement to a guaranteed income floor outside the labour market. With a BI, strikers would be able to face long-lasting resistance from employers, and the collective powers of unions would therefore be enhanced. (Vanderborght, 2006, p. 5)

Finally, basic income, by giving security and time, guarantees everyone the possibility to engage in alternative relations of production, such as cooperatives, build alternative non capital-labour relationships (by decommodifying different aspects of social life), and organize politically to struggle for a better situation of working people (including using the state policies and institutions). So it can foster non-capitalist social activities, which are worth in and for themselves, as

8 The rise of effective demand can cause two effects: the increase of prices (price adjustment) or the increase of production (quantitative adjustment) (Bhaduri, 2007: 19). The first one is the most preferable with relation to resources and agricultural products, because their supply is not flexible in the short term. The quantitative adjustment is mainly referred to those products the prices of which are cost-determined (like industrial goods, finished stock and services). Therefore a part of the increase of effective demand due to the introduction of basic income can cause a rise in prices, but the other part would stimulate the increase of production. That means that a basic income which would be adjusted to inflation cannot turn into a hyperinflationary spiral, but rather to a diminishing one (because not all of new “basic income” demand would cause rise in prices, the subsequent adjustments of its amount would be smaller and smaller). The concrete relations between quantitative and price adjustment would differ according to the structure of the concrete economy.

well as helping directly and indirectly to the emergence of collective action with anti-capitalist goals.

Basic income, because of its effect on the wage share (due to the aforementioned four elements) may be considered an exemplary case of a pro-labour policy, that would lead to a greater growth of GDP in a wage-led regimes, i. e. most of the developed and big economies like United States, Germany, United Kingdom, France or Italy (and certainly the eurozone as a whole) (Lavoie & Stockhammer, 2012, p. 19–20).⁹ Those economies are wage-led even when we take into consideration the negative impact of the increase in wages on the trade balance. That means that the neoliberal project in lowering wages went further than the requirements related to the process of globalisation.

Moreover, in these economies the same increase in wage share can create higher output and, plausibly, greater employment, thus enforcing the bargaining position of workers even more. Because this would again rise the wage share, we may face a reinforcing cycle, a progressive dynamic leading (or at least getting close) to the full employment (a new “kaleckian moment”). The limits to that dynamic are created by “the feedback effects driven by the productivity regime. Fast output growth may not entail fast employment growth, because of the rise in productivity growth generated by Kaldor-Verdoorn effect” (Lavoie & Stockhammer, 2012, p. 25). But those limits because of the rise of productivity don’t escape the realm of other possible economic policies.¹⁰

Therefore basic income strengthens workers’ bargaining position by giving them basic security, and providing them some quality time¹¹ to struggle for higher wages and engage in political struggle for more progressive reforms, and give them more freedom to choose those types of activities they want to perform. In these aspects basic income clearly outstrips a proposal often compared to it i. e. the Job Guarantee, which provides everyone with security, but not with time, forcing people to perform a full-time labour. Moreover it does not give freedom, because it cannot provide jobs that are suitable for needs and preferences of all those who can’t find a job in the private labour market.

⁹ It is worth adding that Lavoie’s and Stockhammer’s post-Kaleckian analysis adopts the investment function, not the original Kaleckian one. That means it assumes that investment is the “function of the rate of utilization and the profit share” (Lavoie & Stockhammer, 2012, 10) in a way that Bhaduri and Marglin (1990) do, making it closer to Marxist approach, than classic Kaleckian one, which perceives the expected profitability as depending mainly on past profitability.

¹⁰ See Mazzucato (2013) for posing the problem and Reich (2015) for a proposal of a solution.

¹¹ On the concept of quality time, which is “time in which we are not distracted, nervous from insecurity or spent from labour and work, or by the sleeplessness induced by it” see Standing (2011, 128).

Therefore the possible positive influence of basic income on wage share should be significantly larger than those of Job Guarantee.¹²

Obviously the same can be said about various Conditional Cash Transfers which do not provide full security (the level of it depends on the level of conditionality and on the administrative culture of the particular state). They may give more time, but not the quality time (which is precisely this time needed for political activity...), because they usually force applicants to make a lot of work necessary to get those transfers (filling in forms, waiting in queues, submitting to verification procedures), and are often connected with additional work-for-labour clauses (looking for jobs, submitting countless job applications and participating in job interviews etc.) (Standing, 2011, p. 120–121). Furthermore they rather weaken labour movement, not strengthen it, by opposing the workers to the unemployed, who get money precisely because of not labouring, which might seem to be unfair for the labouring people.

There are nevertheless some necessary existing conditions in a realistic historical scenario where this dynamic could be set into motion. The first has to do with the level of basic income: it can only make sense if the monetary amount given to all members of society is sufficient to reduce worker's uncertainty over their expected income, a certain amount that therefore tends to compensate the average minimum cost of living. If this quantity is sufficient, even if this scheme was funded only from wages, we see very few general assumptions needed to expect that the standard of living would rise, and what concerns us even more: that the wage share would increase as well. Part of these assumptions motivates us to point out in the final part of this article some factors that leave essential questions open.

The second condition is in fact a set of conditions related to a political context that must be sufficiently propitious for achieving a rise of the effective demand: a certain amount of social and political support in favour of

¹² There is also one additional danger connected with the influence of Job Guarantee on the wage share, at least when Job Guarantee is understood as William Mitchell and Martin Watts (Mitchell & Watts, 2005: 70) do, that is, as guaranteeing jobs with wages set at the minimum wage level. In all cases in which these guaranteed jobs are duplicating the existing, better-paid jobs in the private labour market, it could create a downward pressures on wages for these kind of jobs (because otherwise the public employer would outcompete the private ones). Furthermore Job Guarantee does not really put an end to unemployment, because there can be a significant amount of people that cannot find a job on the labour market and do not agree to take any of the proposed by the state *guaranteed jobs* (especially for a wage below the minimum wage). The government would have to give those people unemployment benefits or artificially deem them non-looking for a job (therefore out of the labour force).

maintaining welfare state institutions, mainly social security¹³ and public services, as well as some political regulation in order to put boundaries to concentration of power in markets. These are some basic aspects that could prevent a potential neutralization of the effect of basic income because of existing oligopolistic forces.¹⁴ This implies a public intervention to guide investment, that is to say to undertake proper industrial policies. And, in turn, this implies also restricting the powers of financial actors to boost speculative activities, particularly around those goods that can easily form bubbles when they are more intensively commodified. In coherence with this agenda, therefore, only a government ready to reject the current trend of economic policies, at least on these aspects, can successfully apply a basic income scheme.

Basic income and the political business cycle

The intervention of a basic income in the crucial dynamics of the wage share and its possible resulting transformations in the structure of bargaining leads to several concerns regarding an anti-capitalist strategy. As Kalecki pointed out, capitalists can partially agree on raising wages, but only up to the point where rising the wage share is still creating full employment – over that point their bargaining power becomes critically challenged. At this “BI-led kaleckian moment”, “the ‘sack’ would cease to play its role as a ‘disciplinary’ measure. The social position of the boss would be undermined, and the self-assurance and class-consciousness of the working class would grow” (Kalecki, 1943, p. 327). This circumstance is predictably the hardest obstacle that eventually a basic income program will have to get past.

It is crucial to take into account at this point that capitalism itself is an evolving historical process, therefore not definable within a closed set of necessary and sufficient conditions across time. Incidentally, one should not regard the succeeding theoretical contributions from Marx, Luxemburg and Kalecki set forth in this paper as merely logical consequences but, pre-eminently, as further

13 We assume elimination of all social security systems based on conditional cash transfers which will be made redundant with the implementation of BI. In this regard, see the model created by Arcarons, Raventós, Torrens and Domènech (2014). Other elements of social security (social insurance, social services etc.), as well as those cash transfers that will not be redundant after introducing BI (e. g. related to disability) should not change.

14 Under oligopolies, every rise of wages could be completely translated into rise of prices, without diminishing the profit margin. We assume that most of the markets in the current economy has a sufficient level of competition to make basic income work the way we are presenting here.

scientific developments trying to make a better judgement of their present time. So is the case for the concept of class. For this very reason, what constitutes collective bargaining and “class consciousness” in a broad sense include a vast diversity of experiences and envisioning ideas that should not be narrowly and statically described before a real basic income program is put into practice, but rather addressing them as a political problem with the best of the analytical tools within reach.

However, Kalecki’s unattended warning should be regarded very seriously: if basic income was an actual part of a new “new deal”, an anti-capitalist perspective would require not only that the conditions of bargaining and resisting be empowered, but also, in a propitious moment, that this move be audaciously followed by a more radical agenda against the power of economic elites under the threat of rebellion.

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