

CHAPTER 10

WAGES AND SALARIES

The third distinction between capitalism and statism refers to the ways economic agents share in the total income of an economy. In capitalism, income is divided into wages and profits; in statism, into "wages" and salaries. Surplus is appropriated in capitalism in the form of profits, while in statism, in the form of salaries received by technobureaucrats.

1. The disappearance of wage labor

Wage labor is an essential outcome of the generalization of commodities in the capitalist system. In capitalism the labor force becomes a commodity, which, like any other commodity, has its price: wages. In technobureaucratic capitalism, commodities tend not to correspond to their respective values, either due to the oligopolistic nature of the economy or to a differential tax system and the administrative control of prices by the state. Wages also tend to lose their nature as a commodity, as unions succeed in raising wages above the subsistence level, that is, above the historically determined cost of the reproduction of labor-power (Bresser-Pereira, 1986).

However, our present concern is not the mixed social formation. In capitalism, in its pure form, labor is a commodity; in statism, it no longer is. Workers' remuneration is not determined in the market by the cost of the reproduction of the labor force, but rather is politically determined by the state technobureaucracy. It is based on the needs of state accumulation, the share in economic surplus that technobureaucrats intend to reserve for themselves in the form of direct or indirect salaries, and the volume of social consumption that the state decides to directly control.

Strictly speaking, in statism wages should have another name, since they are no longer the price of labor as a commodity. However, for the lack of a more adequate term, I will continue to use the word "wage". It is determined by state economic planning and comes from a general wage fund. This fund is then divided among the various economic sectors and geographic regions of the country, and finally subdivided until it reaches the individual enterprises. The market has no significant role in this process. In describing the Soviet Union, Alec Nove states:

"All workers are divided into grades; the government settles the wage of grade one (the lowest), each step upwards is calculated by co-coefficients which are also laid down by the government..." (1961: 116).

Thus wages are rigorously controlled by the state. The market plays a secondary role. Its presence is felt only in that workers who have the freedom to change jobs. However, wage labor in the strict capitalist sense of the word does not exist in statism.

2. Definition and distribution of income

The concept of income and its distribution are quite different in capitalism and statism. When the capitalist mode of production appears in its pure form, income, Y_k , is equal to the sum of profits, R , and wages, W . Wages correspond to the production of basic consumer goods, B , whereas profits correspond to the production of luxury goods, V , and the production of capital goods, J . Thus surplus is equal to profits:

$$Y_k = W + R$$

$$W = B$$

$$R = V + J$$

In contrast, if Soviet Union is taken as prototype for statism, it may be seen that income, Y , is made up of state "profits", Re , salaries, O , and wages, W . Wages still correspond to the output of basic goods, although it should be recognized that workers consume a small portion, nV , of the output of luxury goods. The salaries that technobureaucrats receive are determined by political and economic criteria, and basically correspond to the consumption of luxury goods, since in a fully technobureaucratized society the consumption of basic goods may be assumed as minor. State profit, Re , is utilized for the accumulation of capital, AK , corresponding to the production of capital goods, J .

$$Y = Re + O + W$$

$$W = B + nV$$

$$O = (1 - n) V$$

$$Re = J$$

For the purposes of national accounting, a country's output can be defined in terms of product, YP , expenses, YD , or income, YR . These three values are strictly equivalent. In both modes of production, YP is the sum of the production of capital goods, consumer goods and luxury goods. The corresponding total

expenses, YD, are similarly defined, as investment, I, consumption of luxury goods, Cv and consumption of basic goods, Cb.

$$YP = J + V + B$$

$$YP = I + C_v + C_b$$

Actually income should have a different definition in the two modes of production; in capitalism, it is made up of wages and profits, whereas in statism it is made up of wages, salaries and state profits.

In an intermediate situation such as technobureaucratic capitalism, the dominant social formation is capitalist, but it is modified by technobureaucratic characteristics. This is the present stage of development of the capitalist system, where income, Y, is no longer made up of two elements, profit and wages, but rather three, profits, wages and salaries. Profits are not only utilized for the accumulation of capital, but also for the consumption of luxury goods. Salaries are not only used for this same conspicuous consumption, but also (in the case of the higher salaries) for investing in financial assets. At this point, capitalists and technobureaucrats, who are already allies, become partially indistinguishable.

3. Salaries and wages

It is important to clearly distinguish the workers' wage from the technobureaucrats' salary. A superficial analysis might lead one to state that both salaries and wages are remuneration for labor performed, and that there is no substantial difference between them. However, they are first distinguished by the nature of the labor performed. The worker is directly involved in the production of goods and services. Technobureaucrats are included among those who perform "unproductive labor", in Adam Smith's terminology (1776: Vol.1, p.294). Actually I will suggest that a category more relevant to the definition of the technobureaucracy is the category of "coordinative labor" in opposition to "operative labor".⁴⁹ They are not directly responsible for production. As administrators, engineers and technical experts, they coordinate and give technical orientation to productive labor.

⁴⁹ For the discussion of the concepts of productive and unproductive labor and for the proposal of a new distinction between "coordinative" and "operative labor", that is more relevant to the analysis of contemporary technobureaucratic capitalism, see chapters 20 and 21.

The worker operates the instruments of production, whereas the technobureaucrat controls them by means of the bureaucratic organization. It is the technobureaucrats' privileged position, controlling the instruments of production from an authoritative position within the bureaucratic organization, that makes salaries inherently different from wages.

Wages are remuneration for productive labor. In classical capitalism and industrialized underdevelopment, wages are determined in the long run by the costs of the reproduction of the labor force, and in the short run, by the increase or decrease in the demand for workers, as the rate of accumulation of capital increases or decreases. In technobureaucratic capitalism, wages are determined in the long run by the cost of the reproduction of the labor force plus a share of the surplus that organized workers win for themselves in labor struggles. In the technobureaucratic mode of production, wages are also determined by the cost of the reproduction of labor force plus a part of the surplus that workers obtain gradually. However, this participation in the surplus is not obtained by the power of the unions but rather, as a result of the technobureaucrats' need to legitimate themselves by making concessions to workers, increasing the latter's standard of living. Though the system tends to be authoritarian, technobureaucrats still need to legitimate their power. This is based on the ideological stand that they exercise their power in the name of the workers. In this way, even though technobureaucrats exercise power in their own name and for their own benefit, they have no other alternative but to give workers a share in the economic surplus.

At any rate, wages are directly related to production. They represent a variable cost which increases or decreases as production varies. Salaries are a different question. They have no direct relation to production. The average salary (obtained by dividing the sum of total salaries by the number of technobureaucrats) can not be justified by the costs of the reproduction of technobureaucrats' labor force. The concept of marginal productivity, which provided little assistance in explaining the general wage level, provides even less in explaining the general salary rate, or even differences in salaries. There is nothing more difficult than trying to determine the marginal output of a technobureaucrat.

The average salary basically depends upon the total volume of salaries and on the number of technobureaucrats. The total volume of salaries will in turn depend upon the total economic surplus. The amount of economic surplus will depend upon the level of technological development of the productive forces and upon the level of accumulation of capital of the society as a whole, regardless of the mode of production.

The appropriation and sharing of the surplus will vary according to the mode of production. In classical capitalism, surplus is entirely appropriated by the capitalist class, and technobureaucrats do not exist. In technobureaucratic capitalism, technobureaucrats and capitalists divide the greater part of economic surplus between salaries and profits; workers also have a share in the surplus. In the technobureaucratic mode of production, both capitalists and private profits disappear. The state and state enterprises reserve a part of the surplus for the accumulation of capital, which in turn permits the reproduction and increase of surplus. They should also reserve a part of surplus for workers, in order to legitimize their own power. What is left will be divided among technobureaucrats in relation to the relative scarcity of the various functions they exercise and to the political power they exert individually or as a group within the system.

Given the volume of surplus and the need to accumulate capital, the determination of salaries is a highly political decision. The needs of accumulation are also politically defined, and the portion of surplus which goes to the workers depends on their ability to demand higher wages, or to express this in another way, on the technobureaucrats' need to legitimate themselves.

The legitimation of technobureaucrats not only depends on their skills in organizing production and promoting economic development, but also upon an entire ideological system set up to maintain their positions. This ideological system puts economic development that is, an increase in surplus through a more efficient utilization of the productive factors as society's main goal.

Another aspect of the question is that technobureaucrats play a necessary role in social control, according to the logic of production, many technobureaucrats could be eliminated. Yet the logic of social control, the need to keep workers firmly subordinated as well as the effort required to appropriate a part of economic surplus, leads to recruitment of new technobureaucrats.⁵⁰

Nevertheless although their number are always increasing, they are, by definition, always in short supply. Since it is not possible to precisely determine the demand for technobureaucrats in terms of the needs of production, this demand comes to depend partially on an ideological factor: the hidden belief that the efficiency of an organization will always grow as a result of the work of

⁵⁰ See analysis of Herbert Gintis (1972) and Stephen A. Marglin (1974 and 1975) concerning the function of hierarchy in capitalist organizations.

an increased number of technobureaucrats. This belief is obviously a strong source of inefficiency⁵¹.

It is not only in the form of the appropriation of economic surplus that capitalism differs from statism, but also in of the distribution of this surplus. In the capitalist mode of production, surplus is divided among capitalists according to a simple basic rule: the volume of capital held by each individual capitalist. This criterion originated in the elementary fact of economic theory that the rate of profit in capitalism tends to be equal in all sectors due to competition. As a result, profits are divided among the capitalists according to their capital. In statism, the division of the total of salaries among technobureaucrats has nothing to do with the capital they control. Rather, it depends upon the position that each technobureaucrat occupies within the organizational hierarchy. Again, organization, and not capital, is the determining element in this mode of production.

⁵¹ The great authority of bureaucratic managers in the technobureaucratic ideology is well-documented. It is significant, however, to recall this terse statement made by Stalin's 1935, emphasizing the importance of cadres capable of utilizing technique, an emphasis that did not exist in the first years after the Bolshevik revolution: "Formerly we used to say that 'technique decides everything'... That is very good. But it is not enough, it is not enough by far. In order to get technique going and to utilize it to the full, we need people that have mastered technique' (quoted in Central Committee of the Communist Party of Soviet Union, 1939: 337).