

## 0.1 Chapter 1: capitalism: Good Capitalism

### 0.2 Good Capitalism

## 1 Good Salaries: What We Earn and What Were Worth

When it comes to earnings, theres an emotionally appealing desire: ideally, wed want to live in a world where money tracked the value of what people did. Good salaries would mean work that was rewarded in line with how much it contributed to the lives of others. The highest pay would go to those who were most helpful to society.

There are some signs, at the moment, that salaries are not always unjust. A brain surgeon is well rewarded but a manicurist earns only modestly. The headteacher of a large school is paid a great deal more than the person serving coffee in a sandwich shop and its also just and fair that a cheerful and efficient server will soon earn more than one who is surly and slow.



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But then there are signs of disaster. Theres the senior person in banking who makes a fortune developing products that are more beneficial to the bank than to its customers as opposed to the nurse who is paid well below the national average for looking after people when they are most vulnerable and frightened. In such cases, the worth of what someone does and how much they get paid have drifted far apart.

This injustice is very familiar. But why does it happen? Sober economists tell us that wages are generally

determined by the law of supply and demand. And this law is rather chillingly amoral. It doesn't ask how noble or honourable or kindly some person is: it asks simply how much the market is willing to pay.



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The law of supply and demand says one reason why some jobs are low paid is that there is a plentiful supply of people who can do it. If employers advertise posts at a low rate and plenty of good applicants turn up, they don't need to pay more. This is what happens around nursing. The human value of the work they do is often very high, but there are people willing and able to do the job for comparatively low salaries.

The other reason for low incomes is lack of demand. A poet might be writing profound and beautiful poems but won't make much money if only a few people feel any inclination to respond to her sensibility. And high quality milk or chickens that have led an athletic life are better than the cheaper alternatives; but unless there is strong demand, it will be extremely difficult to make money supplying them.

Equally, there are two basic reasons why some kinds of work are highly rewarded.

In terms of supply: whatever the human value of the job, an enterprise will be lucrative if few people can do a job and someone badly wants it done. For instance, being a hitman there are not many people who can accurately shoot to order. Or restructuring the debt of a major construction company or closing a complex multi-party deal to develop a deep-sea oil field.



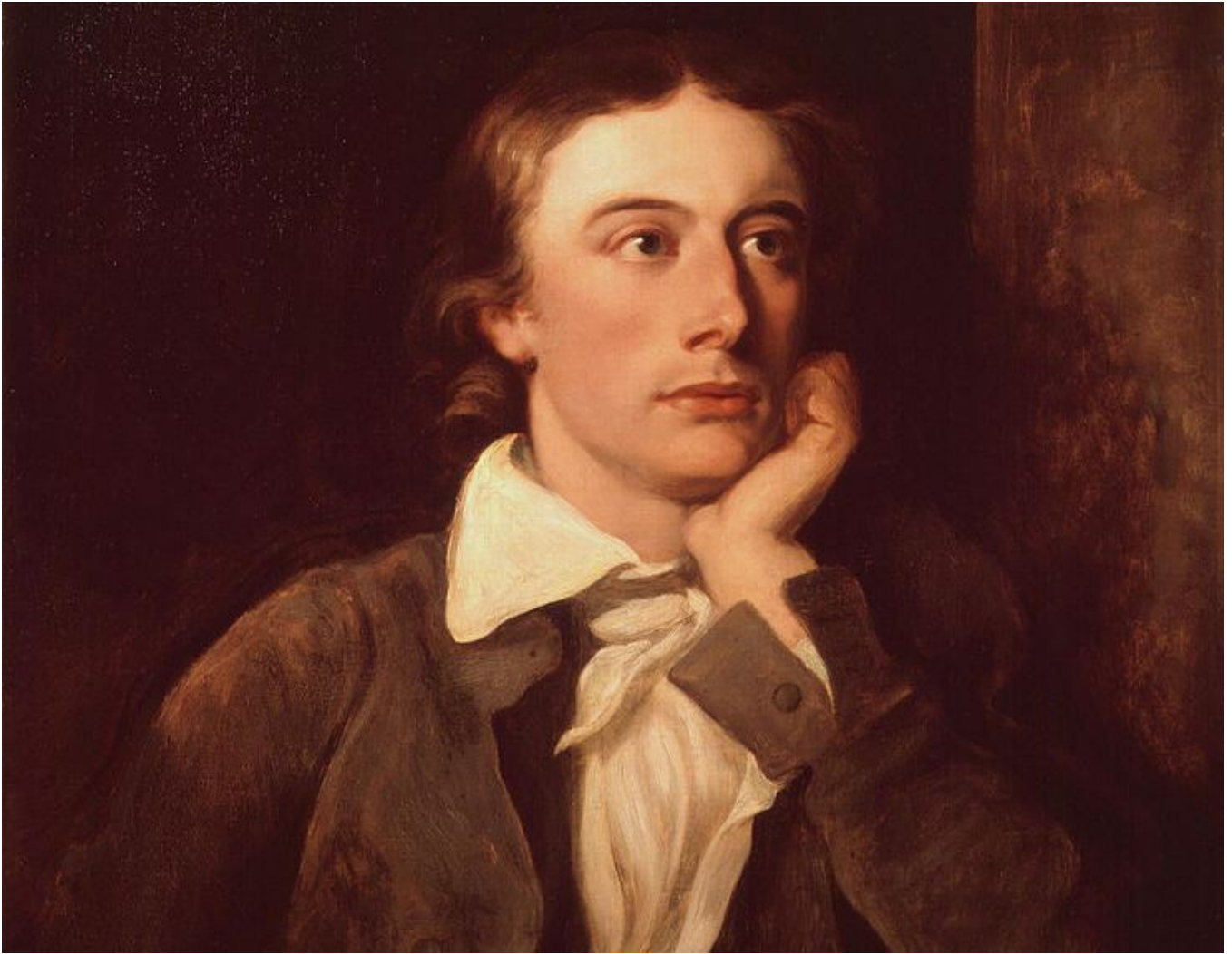
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Alternatively, rewards will be great at least at the top if there's lots of demand, even bad or low-grade demand, for a product or service. Casinos, expensive sports shoes and trash TV shows all generate very high incomes for those who own or run the businesses.

The classical economists' answer is a tranquil defence of the status quo. It encourages us to accept how things are. We might not much like the outcomes, but we are invited to remember that they are not the result of any sinister plot. And there isn't anything very much that can be done to change things.

Classical economics says it's no one's fault if people doing good things are not paid much. It's what inevitably happens if there is too much labour supply (as with nurses) or when there is low demand for the product (which is why few poets make a fortune). And it is simply logical that people doing things you might consider pretty bad get paid a lot when there is either high demand (as with the producers of trash TV) or because there is low supply of an in-demand skill (thus a few hitmen and bankers will get rich).





There are, however, things that can be done to change this unjust but entrenched arrangement. It doesn't focus primarily on trying to equalise salaries. It's not fundamentally a problem that people get paid different amounts. We're not too worried about people who earn little doing bad, or if people doing good earn lots. The issue of inequality is far less pressing than the issue of unfairness or disproportion: what we really mind is the disconnection between merit and earnings (equal opportunity shouldn't really be the main issue either, for this principle doesn't aim at a better relationship between merit and earnings, it merely tries to make sure that people from disadvantaged backgrounds have the chance to participate in the existing essentially distorted money-making system). If manufacturing ugly memorabilia routinely leads to poverty, that would be fine. And people who earn lots doing a great deal of good deserve their riches. What we aim at here is a Good Salary: a salary that is aligned with the contribution someone makes to the good of others.

The path to a Good Salary is Education, for ultimately, Education is the word we give to the attempt to train and guide Demand. It is also what restricts or releases Supply.



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Nurses, typically, provide a very valuable combination of good will, a high capacity for empathy and an appetite for hard work. But when supply is high, even of something good, there is a danger of a lack of appreciation. Its like with water in a rainy country: its key, but its value is overlooked. In principle we greatly admire what nurses do, only we stop noticing in practice. The task is to turn latent appreciation into active appreciation (so that there is an impetus for a salary rise).

This is an aesthetic-political act. In a comic play by Aristophanes, the women of ancient Greece withdraw their sexual services to their husbands, who had come to take them for granted. When the supply is stopped for a little while, the men take notice. Strategic withdrawal to increase appreciation is what, ideally, unions and strikes are for. The key thing is to remind people that they really do value this service very much, and should, therefore, be willing to pay more for it.



A strike is only one move though in a broader attempt to make a case for the merit of an activity or thing. Remember that our notion of merit is extremely flexible and prone to revision.

There are many moments when we would, as individuals, be willing to pay more for the work someone does for us if the case were eloquently made. Collectively we would pay more if the contribution that certain people make were more active in our minds. That is the task of political agitation and of art.

This is what can we do for those like poets who are doing good things but are not paid much because there is low demand for what they have to offer or for nurses who we know do good things but whose causes we forget when supply is too high.



The route will always be via Education. If the product is genuinely valuable, it must actually have a lot to offer people but for various reasons they don't see it at the moment. There's a latent need that could be unlocked.

In order to unlock demand, the product might need to be tweaked. At present, the poet is devoted to a specific, technical form of writing. But that might not be the most effective way of communicating what is uniquely valuable in their thinking. The task is to define more accurately the good that is on offer in something like poetry.

Ideally, Education teaches us a truer account of what we need. Better Education shifts Demand in good directions. So the key move would not be to have for instance more poetry taught in schools by government decree. But, rather, to develop education that is more focused on self-knowledge, which would increase the demand for carefully-expressed insight, thus boosting the market share for poets and taking them a step closer to a just reward for their work.

### **What can we do when people are paid more than their just salary?**

The most obvious answer is the flip-side of the one we have just given: we need to decrease demand, get people to be a little more cautious about certain media, or clothes, or foods they currently invest in.



At the same time, education should play a role in breaking the monopolies that are responsible for over-elevated demand in some professions and sectors of the economy. The reasons why lawyers and property developers earn so much is not that their services are so highly valued, but because they sit at the head of tightly controlled cartels. They are exploiting Demand by restricting Supply. Not enough people know how to get into their ranks. Its broadly speaking an Education and access problem.



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Education at the moment typically teaches us to be workers, rather than capitalists. We know how to work for others, but initiating a profitable venture or taking the lead in enterprise feels to many people mysterious and closed.

Part of the reason that there are outsized profits in some industries is that these are operating as cartels and quasi-monopolies. Education and anti-trust laws have a role to play.

### **The short-term emotional solution**

These moves however, wont bring about a quick change. For a long time value and money wont track each other anything like as well as they should. Were going to have to live with rewards that are higher or lower than the ideal Good Salary.





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To stay sane, in the meanwhile, we have to embrace a tricky (but emotionally calming) move. We have to fully accept that for the time being money is not a good indicator of worth. To some people this sounds so obvious its shocking even to have to say it. But collectively we are very far from giving it whole-hearted assent. In fact, we do tend to see money as the primary marker of success. A few enclaves aside, the poet who sells little is not granted anything like the esteem that is given to the producer of a mass but vulgar television show. In theory we believe that the primary school teacher is making a more valuable contribution to society than the Victorias Secret-girlfriend of a premier league football player. But our society in general gives much more admiration and respect to the latter.

The problem isnt simply that money has come adrift from value. Its that we frequently act as if money did indeed tell us the crucial thing about a person. This attitude has been taken up by the mainstream Left. They often speak as if the fundamental thing thats wrong with society is financial distribution. They want profits to be shared more widely, with the average income getting higher and the highest incomes being severely curtailed. While this can sound laudable, it actually endorses a deeper misconception. It says: what matters is how much money a person has, and tries to reduce income differences out of a sense of fairness. In other words, it accepts the proposition that salary is the central mark of the good life and therefore wants to raise salaries for the many.



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The deeper contention, however, is that salary isn't a reasonable test of value. This has been taken much more seriously by Christianity, which at its best moments simply admits that, given the state of the world, money has little relevance to assessing the worth, or worthlessness, of a life. Its thought-experiment of being judged after death by a merciful and omniscient God, is never imagined in terms of asking how much money a person made. The judgement is projected as being about such things as how loving an individual has been, how sorry for their failings, how tender to the weak and lonely, whether they forgave those who wronged them. Whether they were in the top or bottom ten percent of income distribution in their country doesn't come into it.

In line with this, Christianity at its best has strongly advocated other markers of value: humility, generosity (relative to how much or little one has), piety. Its saints, who function as moral celebrities, were often poor. A great many of its clergy have taken vows of poverty. Its foundational figure, Jesus, comes across

as simply not being very impressed by people who have money; while feeling compassion for them, as people especially exposed to spiritual danger.



Without remotely taking up the whole Christian world view, one can be impressed and inspired by this concerted effort to develop a scheme of values which gives only a small role to a persons economic status.

### **The earnings-worth indicator**

The earnings-worth alignment is one of the most important indicators of how well (or badly) a society is functioning. We should have a public index that measures where we are. In the Utopia, value and salary are in harmony. It is impossible to get rich doing something essentially worthless, and everyone who contributes well is well paid. In the dystopia, money is standardly made in harmful, degrading ways and those who aim at the public good never get properly rewarded. Every society is somewhere between these, but tending on the whole more to one or the other. The Good Coefficient would put a number on where we are and let us see whether we were moving in the right direction or not.