

BOOK REVIEW

The Case for a Maximum Wage, Sam Pizzigati (2018), Polity Press, Cambridge, UK, 140pp., paperback £9.99, ISBN 978 1 5095 2492 1

This is the first volume in a new series dubbed ‘the case for’ in the political economy section of Polity Press. The author, Sam Pizzigati, has a long track record of criticism of extreme economic inequality and advocacy of a ‘maximum wage’. The latter is a social innovation worthy of much more critical study than it has received to date. Pizzigati is a labour journalist with a prodigious and continuing output of articles on this subject, as well as several earlier books. His language is generally polemical rather than academic. The book is informed mainly by his long experience of the United States and his concern for justice there. I think his powerful critique of the enormous and still rising inequality everywhere will be found useful by the many who are concerned at this state of affairs.

There is, however, an issue that needs resolving right away since it occurs immediately in the book’s title. The phrase ‘maximum wage’ sounds odd. ‘Minimum wage’ has become a normal part of the language. Laws and advocacy in many jurisdictions embody such phrases as ‘minimum hourly rate’, ‘living wage’, ‘minimum income’. Language is very important, influencing what is thinkable, what is passed over as obvious and what is deemed impractical. ‘Wage’ nearly always refers to modest payment for small amounts of work – an hour, a day, a week or possibly a month. Wage earners have less job security than the salaried, worse pension provision, less autonomy in their work and lower social status. But arguments and campaigns for a maximum wage focus on an entirely different world. The rich do not receive wages, they receive pay, salaries, remuneration, compensation, bonuses, stock options, profits, packages. And if their services should turn out to have been negative, their terms of engagement are sometimes found to have included princely severance compensation.

Pizzigati is aware of the problematic nature of the term wage:

Our label of choice for the policy outcome we seek, a ‘maximum wage’, does not quite connote all that we need our label to express. We seek ultimately a cap on personal *income* . . . So why aren’t egalitarians talking about a ‘maximum income?’ . . . The maximum wage label simply makes more sense to more people. Most of us already understand why we need *minimum* wages. A ‘maximum wage’ phrasing builds on this understanding, the prime reason why advocates for capping income so commonly use it. (p.20)

I think Sam Pizzigati has underestimated the extent to which economic matters are now discussed in a more formal and technical language than hitherto. Nevertheless, his aim of engaging plainly with as many readers as possible is a sound one. Another virtue of his work is his patience in being in for the long haul. He ends the book by recognizing that ‘[w]e won’t see a maximum wage, a meaningful income ceiling . . . anytime soon. But we can stride smartly toward that goal.’

These qualities, plain language and patience, are important for any major innovative project, including the very project, neoliberalism, against which Pizzigati struggles. For that economic and political philosophy, with its strong emphasis on minimal regulation of a (supposedly) free market, has been the principal driver of rising inequality since the 1970s. The architect of neoliberalism, Friedrich Hayek, worked systematically over the preceding few decades to move the project’s ideas from the backwaters to the mainstream of economic thought, sometimes having to restrain the impatience of colleagues with less long-term vision (Srnicek and Williams, 2016, pp.54–6).

In the context of various proposals on income and wealth distribution, I would say that Pizzigati's proposals lie in the middle timescale of three. The shortest timescale is a few years up to a decade or two. The middle timescale is roughly several decades. The longest timescale is many decades or a century. Programmes on different timescales are not alternatives to each other, but complementary. They have different characters, the shortest being the most pragmatic and the longest the most visionary.

An example of proposals feasible on the shortest timescale is Anthony Atkinson's *Inequality: What Can Be Done?*. His aim is a major reduction of income inequality and his central question is 'How can heightened public awareness be translated into policies and actions that actually reduce inequality?' (Atkinson, 2015, p.1). Near the end of his book, Atkinson presents fifteen proposals and five ideas to pursue. The proposals include a statutory minimum wage set at a living wage, a code of practice for pay above the minimum, savings bonds with a guaranteed positive real rate of interest and a maximum holding, a capital endowment paid to all at adulthood, a top income tax rate of 65%, and a progressive property tax (Atkinson, 2015, pp.302–5). Maximum income is not mentioned. One of the ideas to pursue is a re-examination of the case for an annual wealth tax.

I consider that Pizzigati's book is relevant on the medium timescale; that is, several decades. Its programme is not an alternative to more modest ones (such as Atkinson's), but rather a longer-term addition. The suggestion of a maximum wage immediately elicits a question: How much? This question is difficult to answer. Existing bodies of law have been built up piecemeal over centuries and are complex with many accretions to cover special cases and to respond to changing social norms. Pizzigati sensibly does not attempt to match such detail, but rather adopts a description of the ratio approach to wage distribution. This may take the form of declaring that no employee in a large organization shall receive a wage higher than N times the lowest full-time wage.

If one tries to make such a principle more precise, numerous questions require an answer, but I think that most such questions should not divert attention from the main features. One of these is that a direct cap on high wages by direct legislation or by a 100% top rate of income tax could be blocked or avoided by those affected – people who are small in number, but very influential. Pizzigati gives some time to a less draconian approach, which takes advantage of the dependence of private companies on government contracts. Companies whose 'ratio' exceeded N would suffer penalties in their support from public funds. And companies with a ratio less than N could receive preferential treatment (pp.47–50). An important aspect of any pay ratio proposal is mandatory public disclosure, so that extraordinary pay ratios, in the hundreds, face public and shareholder censure. Pizzigati describes numerous disclosure laws that have already been enacted in various countries around the world.

The adverse effects of the current regime of extreme inequality bear cruelly on the poor. Middle income people are also affected, for example, through expensive housing and poor infrastructure in many areas. Meanwhile '[t]he rich have the resources to make sure their problems get addressed' (p.63). There is, however, one effect from which even the richest may not be able to isolate themselves – not for long at least. This is the great and increasing ecological stress to which the entire earth is being subjected by human activity (McNeill and Engelke, 2014; see also www.rapidtransition.org). Pizzigati notes (pp.59–63) that the rich contribute disproportionately to this stress. A private jet, for example, emits six times more carbon per passenger than normal commercial jets.

The Case for a Maximum Wage piles on the evidence of extreme inequality and its malign effects. This inequality has been increasing rapidly since neoliberal economics took the world by storm in the 1970s. In a long historical perspective, the relatively equal conditions preceding that decade appear to be exceptional and connected with the Second World War. The book includes a brief discussion of *The Great Leveler*, a recent book by Walter Scheidel that has made a considerable splash. Scheidel argues that reductions of economic inequality are known

only in connection with major violent shocks or pandemics. Pizzigati's take on this is that Scheidel did not invite the giddy appreciation that has come from some conservatives. '*The Great Leveler* instead invites us to think more deeply about inequality and try to come up with something innovative and original' (p.37).

One does not, of course, wish for a major violent shock, but it is hard to see our present ecological situation as other than a headlong collision with nature (Edwards, Timberlake and Dylan, 2006). Radical changes are already afoot (see www.rapidtransition.org). In these circumstances, some version of maximum wage ideas may find a hearing, even become centre-stage, on a timescale shorter than current economic discourse suggests. This is far from assured, but is a significant possibility.

Maximum wage is a utopian idea. Of this protean adjective the *Oxford English Dictionary* says, 'originally and chiefly depreciative . . . Now also in neutral or positive sense: idealistic, optimistic', and I use it in the second sense. New social developments, political or technical, start as ideas (Neville-Sington and Sington, 1993) and the ideas often appear utopian at first. The developments do not turn out exactly as imagined, but they do have to be imagined in the first place.

If we allow ourselves a timescale longer than a few decades (and writings about the present century are now very numerous), it becomes appropriate, in view of the likelihood of near-future shocks (McNeill and Engelke, 2014, p.211), to consider the limitation of income and wealth in a more general way (Cottey, 2014). An early step in such a programme is to restore the connection of wealth with such words as 'commonweal', 'well' and 'wellbeing'. Likewise, when the usual economic discourse refers to a person's net worth, what is really meant is their net economic assets. A person with enormous assets may not be especially worthy. The main problem with huge incomes and economic assets is that the assets are highly fungible – they can be exchanged into many different forms. Some of these forms (for example, creating employment), may be socially beneficial, but some, such as buying political influence, may be harmful.

As Pizzigati notes, the super-rich are not going to give up their privileged positions readily. Here are two suggestions to help minimize the inevitable friction. First, it does not make sense to apply 100% tax to legitimately gained annual income. A person will say 'I got this income lawfully. By what right is the whole of the top portion taken from me? I will resist by all means possible.' It makes more sense to limit the annual income that a person can legitimately gain. If the person would gain more in a given year, the excess goes into a separate account, held in *escrow* (that is, by a trusted third party). Averaging of a fluctuating income over a few years, and appeals, can be handled retrospectively.

The second suggestion to reduce resentment is to note that monetary assets in huge amounts have a largely symbolic character. They have nothing to do with need and much to do with status. This being so, non-monetary, unexchangeable rewards for special services to society can be offered. This amounts simply to an extension of existing honours systems (when not corrupt). More on the two suggestions outlined here may be seen in Cottey (2014). The aim of the limits to personal income and assets is to cut out at source the possibility of harmful uses of excessive assets. The actual limits would depend on a person's needs and responsibilities. The degree of (in)equality could vary considerably. That is, some societies would be less egalitarian than others.

The Case for a Maximum Wage, in an attempt to answer every objection, offers a specific and precise proposal. In this it runs the risk of being judged, like so many utopian proposals in history, as initially well-meaning but likely to suppress dissent and morph into tyranny. Conservatives will make such a judgement anyway, but it would be unfortunate if this judgement were widespread. The issue addressed, extreme and increasing economic inequality, is a stain on our civilization. A cap on incomes and wealth is an entirely reasonable proposition and need not infringe on any important freedoms. On the contrary, it would enhance the most important ones, such as the right of all people to the basic components of a civilized life.

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Alan Cottey
University of East Anglia, UK
a.cottey@uea.ac.uk