LABOR AND THE WAR AGAINST POVERTY

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The conference "Labor and the War Against Poverty" was presented jointly by the California Office of Economic Opportunity, the California Labor Federation, AFL-CIO, and the Centers for Labor Research and Education, University of California, Berkeley and Los Angeles, through the facilities of University Extension. The following conference calls were issued by Governor Edmund G. Brown and State AFL-CIO Secretary-Treasurer Thos. L. Pitts.

Many of you have been fighting poverty for more years than we like to remember; the problem is not a new one. Now, however, under the leadership of President Johnson, the fight against poverty has been raised to a priority issue for the entire Nation. So, now, you can join with many other Americans, in a much larger army to do battle with want and ignorance, hopelessness and despair.

This new, large army supported logistically by the prestige, funds, and manpower of government, needs the leadership of labor. I hope you will all give this campaign your full commitment and your resources of ideas and know-how. Labor is an essential ingredient of success in this battle.

This Conference is aimed at providing you with the information necessary to the full and meaningful participation of the trade unions. I congratulate you on calling it and look forward to the results.

EDMUND G. BROWN
Governor

Welcome to this Conference on Labor's War Against Poverty. We know that labor has helped lift the earnings of millions during the past several decades. We know that over 35 million Americans remain impoverished at the heart of our nation's unemployment and underemployment problem.

We know, in order to resolve this paradox of poverty amidst plenty, that we must: (1) reverse unemployment and underemployment, (2) lift the incomes of low-paid workers, (3) attack want through adequate income maintenance, and (4) meet the special problems of the poor in the areas of health, education, housing, and personal adjustment.

THOS. L. PITTS
Secretary-Treasurer
California Labor Federation, AFL-CIO

ADDRESS BY HYMAN MINSKY

The calls to this conference by Governor Brown and Secretary-Treasurer Pitts emphasize the fact that the labor movement has played an important part in reducing poverty in America and that the final elimination of poverty will require further effort by the labor movement. However, these calls did not raise some hard questions which must be answered if the promise of the war against poverty is to be realized—questions as to how the aims and techniques of the labor movement may have to be modified. I intend to raise some of these hard questions and perhaps to mention some unmentionables in my comments here.

The war against poverty is a conservative rebuttal to an ancient challenge of the radicals, that capitalism necessarily generates "poverty in the midst of plenty." This war intends to eliminate poverty by changing people, rather than the economy. Thus the emphasis, even in the Job Corps, is upon training or indoctrination to work rather than on the job and the task to be performed. However, this approach, standing by itself, cannot end poverty. All it can do is give the present poor a better chance at the jobs that exist: it can spread poverty more fairly. A necessary ingredient of any war against poverty is a program of job creation; and it has never been shown that a thorough program of job creation, taking people as they are, will not, by itself, eliminate a large part of the poverty that exists.

Tight Full Employment Essential

The war against poverty must not depend solely, or even primarily upon changing people, but it must be directed toward changing the system. However, the required changes in the system are not those that the traditional radical envisage; rather, they involve a commitment to the maintenance of tight full employment and the adjustment of institutions, so that the gains from tight full employment are not offset by losses due to undue inflation and the perpetuation of obsolete practices.

This implies that some constraints upon money wage and job protection aspects of collective bargaining may be called for. The institutionalization of the guidelines as contained in the President's Economic Report, making the annual numerical guidelines the result of tripartite consultations, and modification of job and skill protection practices are two aspects of collective bargaining that will require consideration. I told you I was going to mention the unmentionables: national tripartite bargaining and the necessity or desirability of an incomes policy are among the unmentionables.

The single most important step toward eliminating poverty in America will be taken when tight full employment is achieved and sustained. Tight full employment exists when over a broad cross section of occupations, industries, and locations employers prefer to hire more workers, at the going wages and salaries, than they in fact employ. In the specific context of the war against poverty, tight full employment means two things: (1) employment opportunities for those now unemployed or underemployed (2) labor market conditions which tend to raise low wages relative to high wages.

Other anti-poverty measures, such as community facilities, enrichment of education, job training and relocation, may be important as supplements. Many aspects of the war on poverty are good in themselves and should be a part of the services available to all without a means test. However, without tight full employment the anti-poverty campaign can only result in spreading poverty more equitably through the community. Without a realization that employment opportunities are vital to the success of the effort, the anti-poverty campaign can be characterized as a move to achieve fair shares of poverty for all. Tight full employment certainly is necessary, and it may also be sufficient, for the elimination of all except casebook poverty in the United States.

That is, unless we know how to sustain and achieve tight full employment, the war against poverty cannot succeed; and if we achieve and sustain tight full employment many of the other special programs may be unnecessary. Labor with its historical commitment to full employment is thus advocating the single most important step toward ending poverty in America.

If we succeed in achieving and sustaining tight full employment, then many of the programs adopted in the 1930's which have the effect of decreasing labor force participation need some modification. Once we are not afraid of unemployment, the more workers the better.

Two Kinds of Poverty

There are two kinds of poverty in the United States. Approximately 60 per cent of the poor are either employed or if they are not employed they are in the labor force. This is the part of poverty that can be attacked directly by way of tight full employment. The other 40 per cent are special hardship cases: casebook poverty. These require a more adequate system of welfare and transfer payments than now exists. Tight full employment will only indirectly benefit these poor by allowing the available welfare funds to be used for the true welfare cases.

Tight full employment will not only eliminate that poverty which is solely due to unemployment, but, by setting off market processes which tend to raise low wages faster than high wages, it will in time greatly diminish the poverty due to low incomes from jobs. In other words, if we have tight full employment, the availability of jobs that pay adequate wages will tend to dry up the supply of labor to employers that pay substandard wages. The poor pay a subsidy to the well off that is embodied in the wage structure. A 70¢ an hour laundry worker subsidizes those who have shirts laundered: his subsidy is reflected in the low price of laundry services.

It doesn't do much good to move a family from $2,950 to $3,050 and therefore across a poverty line. The problem is to get people well above the poverty line, where they have self-sustaining, ever-opening horizons and rising expectations. One of the ways in which people are moved well above the poverty line is by multiple earners in a family. Tight full employment by creating a large number of good job opportunities means that the proportion of families that have more than one earner can rise, and therefore with adequate wages, families are moved well above the arbitrary poverty line.

How Fair Is Income Distribution?

The war against poverty has affected our policy goals and our evaluation of the performance of the economy. It has added at least two dimensions to our policy goals. One is: how egalitarian, how fair, is income distribution? In addition, it has added the dimension of what are the expectations of the present poor for (a) their income over time and (b) their children's income. Changing income distribution as well as an expansion of opportunities and horizons should be included in the goals of the poverty program.

In addition to talking about full employment, economic growth, inflation, and the balance of payments we now have to talk about what is a desirable income distribution. Implicit in the poverty program is the view that a 10 per cent increase in the income of a person making 70¢ an hour is preferred to a 10 per cent increase in the income of someone making $4.00 an hour. We want to arrange things so that this is what occurs. Unions and other institutions that affect income distribution have to be induced to conform to this goal.

The unemployment rate during 1964 was 5.2 per cent. This was the lowest annual rate achieved in the United States since 1957. In the first quarter of 1965 the unemployment rate hovered in the neighborhood of 4.7 per cent to 5 per cent. Slow progress is apparently being made in reducing the unemployment rate.

Reduce the Target Unemployment Rate

The liberal and expansionary Kennedy and Johnson administrations have set as their interim target a 4 per cent unemployment rate. This target rate is a "slack" definition of full employment, which reflects an excessive fear of inflation. On the basis of our wartime experience and the experience of Western European countries (Sweden, Holland, and Germany are worth noting), a working definition of tight full employment, allowing for voluntary labor mobility, technical dynamism, and seasonal factors, might be set at 2.5 per cent measured unemployment. This is a very generous measure. With 75 million workers in the labor force, in time we should achieve about a 1.5 per cent unemployment rate, about one million unemployed, as our usual annual average; for the larger the country, the *smaller* the proportion of unemployed that would be generated by an inventory type process.

With a 2.5 per cent unemployment rate, there will be more vacancies than unemployed workers for many jobs all across the country. We want a labor market situation so that when a worker takes a job he is doing a bit of a favor to the employer, not the other way around. That's the way it is in countries such as Sweden, Holland and Germany. Those concerned with labor and the poverty program should be saying something like this: "Why can't we in the United States have the unemployment rates that exist throughout Europe? What's wrong with the American economy that we can't do this? If something is wrong with the American economy, let's change it."

The unemployment rate is the result of the interaction between labor supply and demand. The demand for labor is derived from the total demand for goods and services, which is called aggregate demand. Aggregate demand consists of various consumption, investment and government demands. The standard government devices for affecting aggregate demand are monetary—which affects the quantity of money and interest rates—and fiscal—which affects taxes and government spending.

The measure of income that we will use—and it is also the measure of aggregate demand—is the gross national product—usually written as GNP.

Raise the Aggregate Demand Level

What is the level of aggregate demand that would be needed in 1965 in order to achieve tight full employment? A standard rule of thumb is that for every one percentage point decline in the measured unemployment rate, there is roughly a 3 per cent increase in measured GNP. If we apply this rule to the difference between the expected 5.2 per cent unemployment rate and the tight full employment target unemployment rate of 2.5 per cent, we get a $53 billion gap between forecast and tight full employment GNP. Even if we modify this rule of thumb so that, when the unemployment rate gets below 4 per cent, the efficiency of a decline in unemployment decreases, the estimated tight full employment GNP for 1965 remains in the neighborhood of $700 billion.

It seems evident from the GNP gap that expansionary monetary and fiscal steps should be taken to raise this year's aggregate demand to approximately $700 billion. This should lower unemployment toward the reasonable 2.5 per cent target as well as increase the well-being of those already employed. Are there any barriers to such a use of monetary and fiscal policy, and if there are, can we design a set of policy actions that will either get around or get over these barriers?

We do not live in a Pollyanna world where all good and desirable ends are attainable at no cost. In the hard interdependent world of economics, more of one very desirable objective almost always means less of another almost equally desirable objective. The addition of the elimination of poverty to our set of policy goals means a redefinition and a reconsideration of the importance placed upon such older, more conventional goals as full employment, economic growth, price stability and the international stability of the dollar. The elimination of poverty is fully complementary with the goal of full employment, in fact it makes it more important. Not so, with the goal of economic growth.

Economic Growth—Not a Liberal Goal

The war on poverty tends to downgrade the importance of economic growth as an objective of policy; in fact economic growth is not a meaningful policy objective for labor and liberals. Everything done to increase the rate of economic growth is buying conservative policies. I don't know how it ever got accepted as a goal by some of my liberal friends. As a result of making economic growth an objective, they favor policies that tend to increase savings, change income distribution in favor of the well-to-do, and increase depreciation allowances. The erosion of the progressive income tax base is part of such a program to expand the rate of economic growth. If we achieve full employment we will get growth with it, a very adequate growth rate—thus there is no reason to do anything specifically designed to increase growth rates.

There is a great deal of discussion of school dropouts. Actually, the dropout rate is lower now than it has ever been. More people go to school longer than ever before. However, the nature of the dropout is different now than in earlier times. There is a world of difference between quitting school and taking a job and quitting school and going on the street. In a world of tight full employment youngsters quit school for a job; there might very well be more rather than fewer dropouts with tight full employment.

The training and discipline gained on first jobs is very important. A boy who has a job at 16 is different when he is 20 than a boy who drops out of school at 16 and doesn't have a job by 20. The first boy acquires skills, learns how to get along with the world. That's what we are losing with our youth unemployment. One of the most important determinants of the quality of a labor force is the experience gained by young men or women between the ages of 16 and 20. A tight full employment world would offer alternative education in the factory and workshop for the often very sterile custodial training that people who aren't college oriented get in the last two years of high school and would greatly improve our labor force. Substitution of one type of education for the other increases productive capacity, as it leaves us with a better labor force. This is a very important determinant of growth. But the fact that such growth is a by-product of full employment makes it even more valuable.

Domestic price stability and the international stability of the dollar are two of the standard policy objectives which require modification, if not repudiation, in the light of the required higher priority for and tighter definition of full employment. However, these two barriers to tight full employment are quite different in nature. The domestic inflation barrier reflects, in part, a structural relationship of the economy. The international monetary stability barrier reflects a policy commitment that can be abandoned whenever it is desired.

Fear of Full Employment

The liberal and expansionary Kennedy and Johnson administrations have really engaged in half-hearted efforts to achieve full employment. The 1964 tax cut was more of a device to abort a feared recession than a device to achieve full employment. Their lackadaisical attitude toward full employment in part reflects a belief that there exists a stable inverse relationship between the unemployment rate and the rate of increase of wages and prices. The "interim" target unemployment rate of 4 per cent was set in the belief that at unemployment rates higher than 4 per cent there is no real tendency for wages to rise more rapidly than productivity, and that at rates below 4 per cent any stimulus to the economy will be absorbed largely by increasing the wages and incomes of the already employed rather than by adding job opportunities for those who are then unemployed.

We are in a "policy box" that has been created by the repeated emphasis upon the inflationary potential of unemployment rates below 4 per cent. If labor and business both believe that the threat of inflation increases when unemployment rates decline and that the threat becomes acute when a 4 per cent rate is approached, then, in a competitive push to protect their own interests, each decision unit will press for higher wages or prices as the unemployment rate decreases. That is, the forecast that inflation will be an imminent threat when the unemployment rate decreases toward 4 per cent is in the nature of a self-fulfilling prophecy: it helps set the framework so that that which is forecast does in fact occur.

The existence of a stable inverse relationship, between unemployment rates and wage and price changes that underlies the fear of tight full employment, is not a certainty. For one thing, all that has ever been observed has been a movement from slack to tight labor markets, and back again to slack. A long period—10 to 15 years—of sustained tight labor markets has never been observed. The institutional arrangements designed to protect workers against some of the effects of labor market slack and to enable workers to "get while the getting is good"—during the periods of transitory labor market tightness—will no doubt require modification once labor market tightness is accepted as the normal state. The modification should be that the wage price guideline be the result of labor, management, and Council of Economic Advisers consultation. Once we have established and sustained tight full employment each Economic Report of the President should state an average expected increase in wages that is compatible with essentially stable prices.

Getting tight and staying tight is different from getting tight and sobering up. What I am suggesting for the economy is that we get the labor market tight and keep it tight.

Some Inflation Can Be Desirable

The movement to a tight labor market entails some inflationary pressures which are, from the point of view of the war against poverty, highly desirable. Let's take laundry workers, again. In much of the country they make 70¢ an hour. The price of a laundered shirt reflects that 70¢ an hour wage. If these wages were $1.50 an hour the cost of getting a shirt laundered would, let us say, double. There is a subsidy, from the women making 70¢ an hour to the people who buy laundry services. The middle class and the organized workers get well nigh the same wages throughout the country but in some places they benefit from low substandard wages in service occupations. However, the laundered shirt will enter into the cost of living. The rectification of the wage structure by increasing low wages relative to high wages will, given the way the American economy works, result in a rise in the measured price level. This is an inflation we want. To repeat, the war on poverty means that the 70¢ an hour worker wages must rise more rapidly than the $3 and $4 an hour wages. If this means that the prices of those products that are heavily weighted with low wage labor will rise relative to the prices of the products like automobiles made with high wage workers, we have to welcome the resulting inflation.

Given the existence of decentralized collective bargaining, the best we can expect is for wages to rise with productivity and prices to remain constant in the high wage industries. Therefore, wages in the low wage industries will rise more rapidly than productivity, and this will be accompanied by higher prices. A wage-price inflationary pressure which raises the relative wages of the present poor is hopefully inherent in our markets under tight full employment. Anyone committed to a successful war on poverty is also committed to the view that not all inflations are bad.

If labor market tightening does not change relative wages in favor of the low wage earners, then monetary and fiscal policy will have to be supplemented by an "incomes policy" designed to guide relative wages and prices in a direction consistent with policy objectives.

One incomes objective consistent with the war against poverty is clear: the minimum wage has to increase faster than the medial wage, the average wage. At present we have a legislated national minimum wage of $1.25 an hour. However, this is not an effective minimum wage. Not only are many employed workers making less than this minimum, but, as long as unemployment exists, the minimum wage is not effective. Before we increase the minimum wage, we should first make it effective, i.e., generate a situation in which everyone willing and able to work does in fact have a job which pays at least the minimum wage.

Once the present minimum wage is effective, then continued tight labor markets should be constrained to operate so that the minimum wage rises faster than the average wage—now about \$3. At present the minimum wage is 40 per cent of the average wage in manufacturing. I feel this is too wide a difference. I would like to suggest as our target an effective minimum wage that is 60 per cent of the average wage—that is, about \$1.80 an hour instead of \$1.25.

A Tight Labor Market and Union Demands

To many who advance the argument that increased aggregate demand will not result in employment increases, the villain is organized labor. The trade union movement, to protect its members against the burden of the uncertainties that labor must bear in a world with periods of large scale unemployment, obviously takes advantage of those fleeting moments when the demand for labor is strong. If labor did not get when the getting was good, it would not get at all.

But we now know enough so that we can have a world without bad times—a world in which no matter how many workers we have, jobs can be found for all of them. With chronically tight labor markets the need for large wage increases that generate inflationary pressures at periods of tight labor markets and the need for many job protection devices—so-called featherbedding—no longer exist. The average real income in a community can grow no faster than the average increase in output per worker. If we are serious about quickly ending poverty, we must reemphasize that as a matter of policy low wages must rise at a faster rate than the high wages.

This means that a pattern of wage increases for organized workers should emerge in which the largest number of organized workers—certainly those making over \$100 a week—are satisfied with a 2½ to 3½ per cent increase in wages per year. The wages of workers making less and the legislated minimum wage rate should rise more quickly.

Thus if we can constrain median and above median wages to a 2½ to 3½ per cent increase per year, the minimum wage should be increased at a rate of say 6 per cent per year. This faster rate of growth will increase the ratio of the minimum to the medial wage (if the median wage rises at 2½ per cent per year and the minimum wage at 6 per cent per year, then in 12 years the minimum wage will be 60 per cent rather than 40 per cent of the medial wage). Once the desired ratio of minimal to average wages is reached, both can then grow at the same rate.

If we constrain the average wage, a shift to profits might result. Already, we have had a pretty large shift to profits in the last six years. A shift to profits is not desirable either from grounds of equity or grounds of stability. A highly progressive income tax remains our best way to constrain the shift to profits. The erosion of the income tax base in the tax cut of 1964 is not consistent with an incomes policy designed to eliminate poverty. The way to lower income taxes, in order to reduce the fiscal drag inherent in growth that is consistent with the war on poverty, is to raise personal exemptions while keeping a highly progressive tax schedule.

Effects of Government Spending Patterns

The labor force is heterogeneous and viscose. If increases in aggregate demand result in increases in the demand for highly trained labor, labor whose skills involve a long training period, then as we expand demand all that will happen, in the first instance, is a bidding up of the wages and salaries of these classes of workers. Production techniques do not allow for the substitution of a 20 year old high school dropout for an electrical engineer in a research and development project. The changes in relative wages that occur when aggregate demand is increased by spending on research and development does nothing except increase the wages of already scarce highly trained persons. In this case substitution does not work in favor of the present poor. Any effective program of increasing aggregate demand to eliminate poverty must be designed so that it has an immediate impact upon the present poor. Potentially, the heterogeneity of the labor force is a real barrier to the generation of the right kind of tight labor markets.

Many aspects of the demand for labor reflect social policy rather than "natural" forces. During the recent past we have invented many new job categories. Mike Harrington has pointed out that one such category is "graduate student." This is a job category designed for a middle class youngster. A graduate student earns between $2,000 and $4,000 per nine month year. In the same view we should invent job categories for working class youngsters. Youngsters not qualified to go to graduate school can do many useful and important tasks.

The great growth in the demand for engineers and scientists in the past 15 years reflects, in large part, the pattern of government spending that has emerged. Since 1950 federal government expenditures on research and development have increased at the compound rate of 20 per cent per year. If we start from our present level of spending on urban sanitation and garbage collection and disposal and increase our spending on this item by 20 per cent a year we will soon have a shortage of unskilled workers willing to undertake these difficult tasks.

The educational qualifications required for a particular job also reflect the tightness or the slack in the labor market. When the labor market is slack there is a tendency to upgrade, quite without reason, the education required for a job. During the great depression, in the ILGWU's musical review "Pins and Needles," a girl sang a lament "I used to be on the daisy chain and now I am a chain store daisy." [The daisy chain is the set of women's colleges equivalent to the ivy league.] This lament reflected the practices being followed by leading department stores: only workers with college training were being hired. Once labor markets became tight these stores decided they did not really need the education they had demanded.

Thus if we achieve and sustain tight full employment even the private sector will re-examine the labor force characteristics they need—and some substitution in favor of the less well trained and less skilled can be expected to occur.

"The Cross of Gold"

One effective barrier to achieving tight full employment has been neglected in the poverty discussion. This is that President Johnson, and President Kennedy before him, have said that the price of gold is immutable at $35 an ounce.

The need to protect the international stability of the dollar is the effective and operative barrier to monetary and fiscal expansion. First of all, the active use of monetary ease is ruled out by the need to keep both foreign and domestic "short term" balances in the New York money market. As a result of the need to keep short term balances in the New York money market, a set of interest rates must exist which are consistent with European rates. The banker role of the United States means that interest rates in New York must be high enough so that a "covered" move abroad of short-term funds is not profitable. Therefore, United States interest rates must be kept in contact with those in the more buoyant European economies. There is nothing wrong with a 6 per cent interest rate, at a 1½ per cent unemployment rate. There is something wrong with high interest rates at a 5 per cent unemployment rate. We want an economy with so much steam in it that you have to hold it back by tight money, but you don't want to hold back an economy with a lot of slack in it. That is what we've been doing.

There's another aspect of our balance of payments problem. A $700 billion rather than a $660 billion GNP would mean from $1.5 to $2.0 billion more in imports. In addition, the move from slack to tight labor markets will certainly in its first transition phase result in an increase in the prices of products made with low wage labor and perhaps even with high wage labor. That is, a move to tight labor markets will also increase the balance of payments deficit. A large deficit in the current situation can trigger a flight from the dollar. There's no question about the existence of this constraint upon an expansionary economic policy.

To a considerable extent, ever since 1958, the needs of the dollar standard have acted as constraints upon expanding domestic income. Tight labor markets are not attainable because of the peculiar bind that the dollar is in internationally. It is apparently quite appropriate to allude to William Jennings Bryan and assert that, in part, the cross that the American poor bear is made of gold.

The elimination of the barrier to expanding aggregate demand due to the international monetary system is simple: get rid of the gold standard. If for some subtle reasons, understood only to bankers, the State Department and the Treasury, we cannot do this, then we can buy economic breathing room by raising the price of gold. Of course, raising the price of gold subsidizes two vicious regimes—the Soviet Union and South Africa—but at least it will enable us to get on with the job of achieving a tight full employment economy and ending poverty in America.

Learning from the New Deal

How do we get tight labor markets immediately? From our past—in the first New Deal—we can find the instruments to fight poverty. WPA, NYA and CCC took workers as they were and generated jobs for them. The resurrection of WPA and its allied projects should be a major weapon in our war on poverty.

WPA was a labor intensive approach to unemployment and it tailor made projects to fit the capabilities of the available labor. WPA must be contrasted with the standard public works programs, favored by trade unions and their allied contractors (I told you I would mention the unmentionables), as a solution to unemployment programs. Programs of expanding standard public works are inefficient in the war against poverty, for it means providing jobs for already affluent workers.

A "Wage Support Law"

Work should be made available for all able and willing to work at the national minimum wage. Ideally I would repeal the minimum wage law. In its place I would have a wage support law, analogous to the laws supporting agricultural commodities. With such a law anybody who has an hour of labor to sell, can sell it to the government for a $1.25. You don't have to worry about trade union contracts for exempt laundry workers at 70¢ an hour. They can all go to work for the government at a $1.25 an hour. Under this law, no one is going to work for 70¢ an hour. The problem of what kind of labor is "covered" and what kind is "uncovered" is eliminated. All workers have jobs available for them at $1.25 an hour.

To qualify for employment at these terms, all that would be required would be to register at the local USES. Part time and seasonal work should be available: this will be a special boon to students, low income farmers, working wives and farm workers.

National government agencies, as well as local and state agencies would be eligible to obtain this labor. They would bid for labor by submitting their projects, and local "evaluation" boards would determine priorities among projects.

This scheme generates "artificially" tight labor markets. It should under present circumstances cost some $10 to $12.5 billion—and expand GNP by some $20 to $35 billion above the $660 billion forecast for 1965.

Once the tight labor markets have been created, even artificially by having labor demand accommodate to labor supply, standard monetary and fiscal expansionary measures will generate excess demand for some particular types of labor. This will signal where retraining and relocation efforts are needed. Why retrain when you don't know what kind of labor you need, what kind of labor is in excess demand?

Initially the wage support level should be fixed at the existing minimum wage. However, this should rise more rapidly than the medial wage. There should be a catching up process, and approximately 60 per cent of the median wage seems like a nice place to fix a standard pattern of wages. This will have some inflationary effects: which leads us to another problem.

Why should wages be transformed into prices of products, as now happens? Some products such as education carry a very large social benefit. One of the policies we have reflecting this is that education is available regardless of family income (education or mis-education depending on the school you happen to go to, but that's something else).

For example, a wage support law would raise the wages of hospital orderlies and licensed vocational nurses relative to other workers (these are two occupations whose present wages put their workers in poverty—even though they are some of the most important workers in our community). A rise in their wages would raise hospital costs. But given the social importance we attach to medical care, why should a rise in the wages of hospital employees raise hospital fees? Rather than do this the government could subsidize hospital wages. For example, the subsidy could be such that if these workers make at least $100 a week the federal government would pay $40 a week toward their wages.

A sharing of some types of labor costs between the public and private sectors because these areas of labor carry a great social benefit seems an appropriate policy in a tight full employment world.

To conclude, the way to end the biggest chunk of poverty is to generate jobs at adequate income for the people now living in poverty. Although improvements in welfare and educational programs will help in the war against poverty, many of these programs bear their fruit only after a long delay, and the fundamental problem is how to end poverty for the present poor. The basic approach is straightforward—accept the poor for what they are, tailor make jobs to fit their capabilities. After this is done, programs to improve the capabilities of low income workers might well be in order.