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Venture Labor

by *Lindy Davies*

One of the quaintest-seeming notions in Progress and Poverty is that "Production is the mother of wages." In his refutation of the wages fund theory, Henry George showed that in all manner of enterprises, our sustenance comes not from stored-up capital but from ongoing production — what labor does. George's objective here was to show that persistent poverty cannot be blamed on any shortage of capital.

That seems evident enough until we remember that developing countries, for many years, have been borrowing from Western banks in order to develop their own capital, so as to avoid dependency on industrial nations. Dependency theory, of course, postulates the need for a "wages fund" — otherwise, why borrow money to build up capital? Economic success for developing countries sure doesn't seem to have much to do with labor; they can work til their bones are bare, and still owe billions in foreign debt. It sure would have been nice if the borrowers of all that money had invested it in the kind of productive capital that would increase productivity enough to pay the loans back — but that has almost never happened. So developing countries are left with the same shortage of capital, and all their labor just suffices to make them poorer every year. Production is the mother of wages? Sure.

Downsized workers in the United States also have a right to scoff at the notion. Here have come all these improvements in communication and transportation, making their labor a great deal more productive. They were producing like crazy — they had to, the labor market had become so competitive — until they were downsized out of their jobs. The more and better they labor, the worse off they end up; perhaps they should have just stayed at McDonalds and built up seniority.

Whatever truth there is in the economic proposition that labor produces its own wages, people seem to be moving away in droves from that belief; witness the unprecedented boom in gambling that is overtaking the US today. Combined revenue from various forms of gambling (perhaps our only true growth industry in the 90s) dwarfs that of all the entertainment industries combined. Folks who barely manage to scrape together carfare play the daily lotto religiously; when the prize goes up over ten or twelve million, anticipation is intense. The lotto is nothing but a hope for an unearned (but richly deserved, of course) windfall. Unfortunately it is also a very effective tax on poor people; richer folks manage to find less risky means of courting an unearned increment.

I'm sure the reader can think of at least another half-dozen ways in which the performing of labor is decoupled, in our fragmented postmodern world, from the wages workers get. So, how quaint, how positively Horatio Alger-ish of Henry George to say that "production is the mother of wages." In his single tax utopia, maybe — but in the real world, we want a chance at the jackpot. Work sure isn't getting us anywhere.

It might be said, though, that this decoupling of work and reward is a perception of we sophisticated pre-millennial *norteamericanos* that the huddled masses of immigrants haven't learned yet. Bless 'em, they keep coming to the United States and working very hard indeed, living six- or ten- or twelve to a one-bedroom apartment and sending money home to their families, or salting it away to start a very little, very risky, zealously guarded business of their own.

"Venture capital" is a term that is familiar to economists; Paul Samuelson defines it as "investment funds available for highly speculative or risky projects." It stands to reason that more of such funds would tend to become available as income gets more concentrated in the hands of the wealthy; that was certainly going on during the "junk bond" craze of the 80s (and in Japan's gigantic, now-burst real estate bubble).

Alas, precious little of our economy's supply of "venture capital" is made available to the small entrepreneurs who desperately need it. Most often they have to rely on venture labor, which is a term oddly absent from the economic lexicon. And although no statistics of it are kept, I'll warrant that a tremendous amount of "venture labor" is expended in our economy, and that it accounts for a great deal of the innovation and job creation that we manage to achieve. It may be that venture laborers know something that many members of our great middle-class labor force may have forgotten: that labor does precede the payment of wages, and that if our economy insists on making labor a commodity in a market, it is both possible and desirable to improve the quality of that commodity in the hope of earning higher wages.

"But why should I work any harder? The general rate of wages does not depend on productivity." No, indeed it doesn't; it depends on the worker's bargaining power, his/her value as a commodity in the labor market. But what "venture labor" does, it seems to me, is create "investment funds available for highly speculative or risky projects" from the only source available: one's own wages — which, though they may be unfairly and exploitatively low, are nevertheless above the bare level of subsistence, and thus what one has to work with.