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## **THE JUST WAGE AND INEFFECTIVENESS OF ITS EXTERNAL ENFORCEMENT**

### **Abstract:**

This paper deals with the problem of effectiveness of enforcement of the just wage. The author makes use of the standard models of the product market, labor market and isoquant-isocost analysis to capture the effect of the decision to pay the just wage. In a discussion about the type of justice which governs the wage relation, the author proves that this relation does not fall within the category of distributive justice, on the grounds of (un)willingness of the owners of the factors of production to share the loss. On the contrary, arguments are being presented why the wage relation is being governed by the principles of commutative and social justice. In the aspect of commutative justice, a personal component and a family component of the just wage are being distinguished. The author justifies the concept of the personal component of the just wage by an analogy with renting a capital good. The empiricist objection of arbitrariness of any quantification of the just wage is being settled by a reference to the distinction of necessary and accidental signs. The author draws the conclusion that it is the owners of the firm who hold the key to the just wage. The author concludes that there is no way to force the owner of the firm to start paying the just wage if he does not want to. Any externally enforced increase in the wage is counter-productive, in the end. The threat of external sanctions has no effect. The only sanction which is effective is the internal sanction, i. e. the employer's own conscience. To the objection of inefficiency brought about by internal sanctions, the author answers that the employment of labor not needed by the employer is a gift and the employer is not obliged to pay the just wage in this case.

### **Keywords:**

just wage, profit maximization, commutative justice, distributive justice, social justice, Catholic social teaching

**JEL Classification:** A12, D63, J50

## Introduction

Just is to render everybody his due. In agreement with the classical philosophy and scholastics, I will distinguish three kinds of justice: commutative, distributive and social justice. Commutative justice gives a rule of conduct of an individual towards another individual, distributive justice gives a rule of conduct of a community towards its member and social justice defines obligations of an individual towards his community. Equality is a principle of commutative justice. Applied to contracts of exchange, then, equality in exchange. The violation of equality in exchange constitutes a commutative injustice. Examples are usury and unjust price. Proportionality is a principle of distributive justice. If a community distributes from the common resources among its members, it complies with the distributive justice if it distributes in proportion to the merits of individual members for the community and to the costs born by individual members. In other words, the ratios of shares of the common resources and merits/costs has to be equal for all members of the community. Adequacy is a principle of social justice. A member of the community complies with the principle of social justice if he contributes to the common good according to his capabilities. The question to be answered first is that which kind of justice implies the duty of the employer to pay a just wage or which kind of justice implies the right of the employee to the just wage. After having answered this question, it is proper to ask which instruments the community has to make the employer to pay the just wages.

## A Just Wage and Distributive Justice

If we consider a firm as a community *sui generis*, then, it can be argued that distribution of the added value of the firm should respect the principle of distributive justice. That means, all factors of production should be rewarded in proportion to their contribution to the added value. I understand the added value as a difference between the sales revenues and the costs of raw materials and intermediate goods. However, a firm can, by mutual consent with the owners of the factors of production, pay fixed incomes to the owners of the factors of production. In fact, the market price of the product can, as a result of the fluctuation of the demand for the product, be lower than the costs of raw materials and intermediate goods. In that case, the owners of the factors of production have to share out the loss in compliance with the principle of distributive justice, though. If the owners of the factors of production don't want to bear the risk that the object of distribution will be a loss, then, they can exchange a share in the uncertain profit for a certain fixed income. The risk of loss will thus remain to the owner of the firm. As a result, it would be unjust if the owners of the factors of production wanted the share in the profit without sharing the possible loss. If the owners of the factors of production don't share the risk of the loss, they don't have a right to the share in the profit. On the contrary, Burke (2010, p. 307) argues that it is not true that the employees (i. e. owners of the factor of labor) don't bear a risk. The thing is, if a firm is suffering a loss, then, in the long run, it will go bankrupt and the employees will lose their jobs. So, the employees are always bearing this risk. What I respond, though, is that this is a different kind of risk from that which the owner of the firm bears. The owner of the firm has to cover each loss from his equity. An employee which loses his job does not have to cover the firm's loss from his equity. Burke (2010, p. 307) goes on arguing that the employees, in compliance with principle of distributive justice, have a right to the share in the profit in proportion to the relative degree of risk which they undergo. In riskier industries, the employees with a guaranteed wage have a right

to a lower share in the profit (because the owner of the firm bears a relatively higher risk), while the employees with a guaranteed wage in less risky industries have a right to a higher share in profit (because the owner of the firm bears a relatively lower risk).

Let us ask the question, though, what the contribution of the owner of the firm to the added value consists in. We may consider such a structure of the firm, in fact, where all factors of production are being rented from their owners. Labor, capital goods, land. The firm itself is managed by a manager who is an employee of the owner of the firm. What constitutes the rewardable contribution of the owner of the firm, then? Is it just bearing of the risk? The bearing of the risk itself does not produce an added value, though, does it? However, the risk-bearer makes sure that the owners of the factors of production will get their rewards, in compliance with the principle of justice. Next, it is the risk-bearer's responsibility to cover the possible losses from his own equity. As concerns the argument that the bearing of the risk itself does not produce an added value, let us ask the question what such a bearing of the risk is. Well, whoever consents to bear a risk, he consents to have a zero or negative income. An income is a reward of the owner of the factor of production, though. What is the factor of production of the owner of the firm, then? Well, the factor of production of the owner of the firm is his service of allocating other factors of production to such uses where these factors of production produce a profit. So, the owner of production receives his income for a correct allocation of factors of production. A zero or negative income of the owner of the firm means, as a result, that the owner of the firm has allocated other factors of production incorrectly. The profit is then the difference between the added value of the firm and the rewards of other factors of production.

If the owners of the factors of production decide to exchange the certain income for a share in the uncertain added value, then, they would voluntarily give up their just reward of their factors of production in exchange for a co-decision about the allocation of their factors. What Burke (2010, pp. 306-307) suggests is that the owners of the factors receive their just rewards for the services of their factors and, at the same time, the reward for the correct co-decision about their allocation. The owner of the factor deserves the reward for the correct allocation of this factor only if he is willing to suffer a negative income from an incorrect allocation of this factor, too. In that case, the owner of the factor consents to cover a proportional share in the loss from his reward for his factor's service. If he is not willing to do so, he has no right to the share in the profit.

It is true that the owner of the factor always bears a certain risk. As a result of a drop in the demand for the product, the firm can tell the owner of the factor that it will not employ his factor anymore. For this risk, the owner of the factor should be compensated by a share in the profit without having to share the loss. However, an analogous risk is being born by the owner of the firm, too. I. e. a risk that the owner of the factor will quit and the owner of the firm will have to search for a replacement for his factor. The owner of the firm is not compensated for this extra risk, either. Why should the owner of the factor be compensated, then? Besides, the owner of the firm bears one extra risk in addition which the owner of the factor does not, i. e. the entrepreneurial risk: in case of the loss, the owner of the firm has to cover this loss from his equity and, in case of a bankruptcy, the owner of the firm loses the invested equity. The owner of the firm does not have to do this. Only if he decided he wants to share the profit/loss with the owner of the firm, i. e. if he decided he wants to bear the risk of the incorrect co-decision about the allocation of the factor.

The distributive justice does not only oblige the community to distribute the common resources in proportion to the contributions of individual members but also in proportion to the costs expended by individual members. The cost of the entrepreneurial risk is only born by the entrepreneur – owner of the firm – owner of the equity. As a result, it is an order of distributive justice for the entrepreneur – owner of the firm – owner of the equity to enjoy the whole entrepreneurial profit or to suffer the whole entrepreneurial loss. Now, it would be a violation of the distributive justice if the employees had share in the profit without having to cover the potential loss. In fact, the share in the profit is the share in the reward for the very entrepreneurial risk which the employees refuse to co-bear. However, the above given argument is based on the assumption that the owner of equity and his employees constitute a community (see Kennedy, 2010, p. 10) and that the added value of the firm is really in the common possession of the community which consists of the entrepreneur and the employees. It can be argued, though, that the whole added value of the firm is in possession of the owner of equity and that what he owes to the owners of the factors (labor, capital goods, land), he owes to them on the grounds of the commutative justice. If this were not the case and the added value were really in the common possession of the community, each employee could take his just share from this common product, in proportion to his contribution to the added value and in proportion to his share in the total costs. When an employee takes from the added value of the firm a reimbursement for his unpaid wage, he commits a theft, i. e. commutative injustice. The added value of the firm belongs the entrepreneur – owner of the firm – owner of the equity, in fact, not to the community of employees and the owner of the firm. A suffered commutative injustice does not give me a right to take a reimbursement from the possession of the perpetrator of the commutative injustice and, in effect, to commit an additional act of commutative injustice myself.

### **A Just Wage, Commutative and Social Justice**

In case of a tradable good, the just price is given by the price which a buyer would gain as a seller in case of a resale (comp. Maslo, 2022, p. 18). In case of a human labor effort and human capital, there is a problem that these goods cannot be sold but only rented. Capital goods can be rented, too, though. Now the question is: what is a just rental payment for a capital good? And what is a just rental payment for the human labor and human capital? I. e. what is the just wage? *Per analogiam*, a just rental payment for a capital good is such a payment which compensates the owner of the capital good for depreciation of this good, so that the owner of the capital good, after the rental contract expires, gains the very same value back which he assigned initially, i. e.  $P_2 = P_1 - R$ . Now, depreciation of a human being consists in his psychic and physical harm which the work causes to him. The costs of compensation of this harm are, as a matter of fact, costs of a psychic and physical recovery, i. e. costs of living. So, if an employee which is renting himself (it is his labor and human capital) is supposed to gain back the same value which he assigned initially, the costs of those expenditures should be compensated to him which the employee has to carry out to recover from the work. Since the human capital does not depreciate by using, it is obvious that no extra compensation for renting the human capital is needed. At the same time, though, it is clear that a different kind of costs of recovery exist in case of an intellectual worker as opposed to a manual worker. Commutative justice orders the owner of the firm to compensate those expenditures to the employees which are necessary for renewal of the worker's psychic and

physical powers, i. e. the cost of living (*Rerum novarum*, 45; Vašek, 1931, p. 306; Burke, 2010, p. 301).

At the same time, though, it holds true that the purpose and natural goal of the human labor is to support myself and my own family or to provide myself with the sufficient resources to be able to start a family and to take care of it later. If a man works hard, he did what he could and what he was supposed to do to achieve this natural goal of the human labor. If the purpose of human labor is to provide myself and my family with means of support, then, if I carry out work on my behalf, it is my responsibility to make sure that I gain the necessary means of support. However, if I carry out work on somebody else's behalf, then, it is his responsibility to compensate me for the work carried out on his behalf at such a level which will make sure that I can provide myself and my family with the necessary means of support. The reason is that an employee which is renting his labor and his human capital deprives himself of the possibility to use his labor and human capital for his own goals. Since the natural goal of human labor is to provide myself and my family with means of support, then, it is the obligation of the owner of the firm to compensate his employee for his labor at such a level which makes sure the employee can achieve this natural goal. To sum up, commutative justice obliges the owner of the firm to compensate his employee for the work carried out on the entrepreneur's behalf at such a level that the employee can achieve the natural goal at which the labor is aimed: to support himself and his family (*Rerum novarum*, 46; Vašek, 1931, p. 306, 308).

The above said implies that the just wage consists of two components: the personal component (compensation of costs of psychic and physical recovery) and the family component (costs of support of the worker's family):

Just wage = Personal component + Family component

It can be argued (*Quadragesimo anno*, 71.; Burke, 2010, s. 301; Máslo, 2021, s. 40), though, that a payment of the just wage, i. e. the personal and family component, is an act of the social justice. Strictly speaking, since the social justice obliges every member of the community to contribute to the common good according to his capabilities, it is an obligation of a wealthy person resulting from the social justice to employ his possession to the common good, e. g. to the creation of new jobs, to employment of other people. At the same time, though, employment of labor, as much as it is not an act of charity, is guided by the principle of commutative justice: the employer has an obligation to pay the just wage but, at the same time, he has a right to an adequate effort. However, employment of labor is guided by the principle of social justice, too: the employer owes to the society that he pays the just wage when he employs labor (not when he makes charity). To pay the just wage which suffices to support the employee and his family is, in that case, an obligation of the employer not to the employee but to the society. The just wage of the father allows the mother to occupy herself with the upbringing of children, so that the upbringing of children does not have to be left to other people and institutions. Since the upbringing in the family allows the child to create such concepts as authority, obedience, charity, duty, punishment and responsibility in a natural way, a well-functioning family become the first school of civic virtues. So, if the contractual wage falls short of the just wage, the social justice is being violated, i. e. the employer does not meet his obligation to the state society. Next, the family life belongs to the fulfillment of the human nature and, as a result, represents a common good. So, payment of wages which do

not allow the family that the mother can bring up the children contradicts the common good and, as a result, violates the social justice (Burke, 2010, p. 301).

An obligatory objection of the empiricists may be raised: any quantification of the just wage will be necessarily arbitrary. How much are the costs of living and costs of support of the family? Any effort to enumerate these costs will be a pure arbitrariness. (Comp. Kennedy, 2010, p. 2). This objection has no effect, though, because the above-described concept of the just wage tries to capture the necessary signs of the concept "just wage". Quantitative determinations are accidental determinations, not necessary determinations. Quantification of the just wage is no more arbitrary than quantification of safe speed, in effect. Safe speed is necessarily determined by its conceptual signs, too. So, the purpose of quantification of the safe speed is not to capture the essence of the safe speed but to set a convention for the purpose of a better safety of the road transport. Quantity is an accident. It is never possible to achieve the essence of an entity through its accidental determinations.

### **External Enforcement of the Just Wage**

The legal minimum wage is not an effective way to make the firms pay just wages (Máslo, 2021, pp. 40-42; comp. Worland, 2021, pp. 16-17). The legal minimum wage will cause that the quantity of labor demanded by firms will fall short of the quantity of labor supplied by the employees. The idea suggests itself, though, if the employers could be forced to pay just wages by a decrease in the labor supply. If all employees unanimously refused to work for a lower-than-just wage, the equilibrium wage could be increased to the just level. However, the firms will project the increase in the wage costs into the higher prices of their own production, and so the increase in the price level offsets the initial increase in the nominal wages which pushes the real wages back below the just level. So, if the decrease in the labor supply should result in the permanent increase of real wages to the just level, some factor needs to prevent the price level from increasing. Excluding the price fixing, we can assume that if the households decreased their demand for the market production on a coordinated basis, the price level would not increase and the real wage would permanently increase to the just level. However, if the level of domestic real wages exceeds the foreign level, then either the foreign labor force begins migrating into the country, or the capital begins spill over the borders to abroad where the real wage costs are lower. The migration of the labor force is successfully suppressed by the language barriers and the visa policies. Far lower barriers are in the way of the capital. The outflow of the capital to abroad will decrease the labor demand which will result in a decrease of both nominal and real wages. If the price level did not increase for some reasons, then the outflow of capital and the following decrease in the labor demand will continue until the real wages decrease back to the world equilibrium level. The only solution then is to set restrictions on the capital mobility. However, while it is possible to stop foreign capital from flowing into the country, the foreign capital can hardly be forbidden to leave the country, in the long run.

If the firms consented to not transfer the capital to abroad, though, then the real wages could remain at the just level, permanently. To achieve this, it is necessary that the firms are willing to voluntarily decrease their rate of return of the invested capital below the world equilibrium level. Which is something the firms can do even if the households do not decrease the demand for the

market production. In fact, if the firms consent to decrease the rate of return of the invested capital, they consent to not project higher wage costs into their own prices, at the same time. Let us consider another scenario. If the firms consent to decrease the rate of return of the invested capital, then it is not necessary for the employees to decrease the market labor supply on a coordinated basis. The thing is, if the firms consent to pay higher real wages without projecting them into higher prices of their own production, then they will consent to preserve the level of production and employment and to decrease the rate of return of the invested capital. The key to the just wage is in the hands of the owners of the firms – owners of equity. As long as the owners of equity don't consent to decrease the rate of return of their invested capital, then neither the government (via the legal minimum wage), nor the employees (via the coordinated decrease in the labor supply and decrease in demand for market production) can force the owner of equity to start paying just wages.

Let us assume a simplified model of a firm in which all capital goods are in possession of the owner of the firm (or a stockholder or a capitalist). The owner of the firm has labor costs  $W \cdot L$  covered from the sales revenues  $P \cdot Q$ . The owner of the firm has revenues from his capital goods  $v \cdot K$  and makes the entrepreneurial profit  $\Pi$ . I will call the sum of the entrepreneurial profit and implicit revenues from the owner's capital goods the capitalist's income:

$$P \cdot Q = W \cdot L + v \cdot K + \Pi \quad (1)$$

The willingness to pay a just wage  $W+$  implies the willingness to not project the higher wage costs into the prices of the production ( $P=\bar{P}$ ) because this would, in effect, lead to a decrease in production and employment and to an increase in the price level. At the macroeconomic level, the increase in wages would be offset by these effects. Higher wage costs at the constant prices requires that the level of production stays unchanged, too. A decrease in production at the given prices would lead to the excess demand, in fact, which would produce a pressure on the increase in prices. If the level of production is supposed to be preserved ( $Q=\bar{Q}$ ), then the level of employment of factors must not decrease, either. So, either the labor needs to be substituted by capital goods, or the level of employment of labor and capital goods needs to be preserved. In case of substitution of labor by capital goods, the demand for labor would effectually decrease which would decrease the employment of labor. The outcome would be the same as in case of the legal minimum wage, then. I. e. at the given wage  $W+$ , the firm would be willing to employ a lower amount of labor than until now. A part of the employees would achieve the just wage, as a result, another part would be dismissed. The goal of the just-wage policy is to make sure that everybody who is willing to work could get the just wage. Not that the introduction of the just wage causes a massive unemployment. What then? The firm obviously needs to preserve the level of employment of both the labor ( $L=\bar{L}$ ) and capital goods ( $K=\bar{K}$ ). Since there is no free lunch and since the implicit revenues from the capital goods cannot be lower than the explicit revenues from the capital goods, the price for the just wage is, in effect, a lower profit:

$$\bar{P} \cdot \bar{Q} = (W+) \cdot \bar{L} + \bar{v} \cdot \bar{K} + \Pi \quad (2)$$

As we can see from the equation, an increase in the wage causes (at constant prices, level of production and level of employment of labor and capital goods) a decrease in the profit. If we relate the quantities to the value of equity ( $E$ ), we will get:

$$\frac{\bar{P} \cdot \bar{Q}}{E} = \frac{(W+) \cdot \bar{L}}{E} + \frac{\bar{v} \cdot \bar{K}}{E} + \frac{\Pi}{E} \quad (3)$$

After an arrangement:

$$\frac{\Pi}{E} + \frac{\bar{v} \cdot \bar{K}}{E} = \frac{\bar{P} \cdot \bar{Q}}{E} - \frac{(W+) \cdot \bar{L}}{E} \quad (4)$$

i. e. the rate of profit plus rate of return from the capital goods in possession of the owner of the firm is given by the difference in the revenues and explicit wage costs related to the equity.

Wage costs are explicit costs, costs of the capital goods are implicit costs for the owner of capital goods. We can modify the equation (4) into

$$\frac{\Pi}{E} + \frac{TC(IMPL)}{E} = \frac{\bar{P} \cdot \bar{Q}}{E} - \frac{TC(EXPL)}{E} \quad (5)$$

After an arrangement:

$$\frac{\Pi}{E} + \frac{TC(IMPL)}{E} = \frac{\bar{P} \cdot \bar{Q} - AC(EXPL) \cdot \bar{Q}}{E} \quad (6)$$

$$\frac{\Pi}{E} + \frac{TC(IMPL)}{E} = \frac{[\bar{P} - AC(EXPL)] \cdot \bar{Q}}{E} \quad (7)$$

$$\frac{\Pi}{E} = \frac{[\bar{P} - AC(EXPL)] \cdot \bar{Q}}{E} - \frac{TC(IMPL)}{E} \quad (8)$$

So, the entrepreneurial profit is an accounting profit decreased by implicit costs of the capital goods.<sup>1</sup> A firm which wants to pay just wages does not meet the condition of maximum profit, as a result. Because it does not want to meet the condition. In a figure which captures the firm in the market of the product, the situation looks like this:

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<sup>1</sup> The reason why I introduce the term “entrepreneurial profit” instead of “economic profit” is that the economic profit takes the opportunity cost of the entrepreneur (owner of the firm) into account which I do not assume to exist here, for sake of simplicity. If I took the opportunity cost into account, the economic profit would be equal to the accounting profit minus implicit cost of the capital goods minus implicit cost of the entrepreneur (owner of the firm) given by the sacrificed rate of return of the equity in the second best investment opportunity.



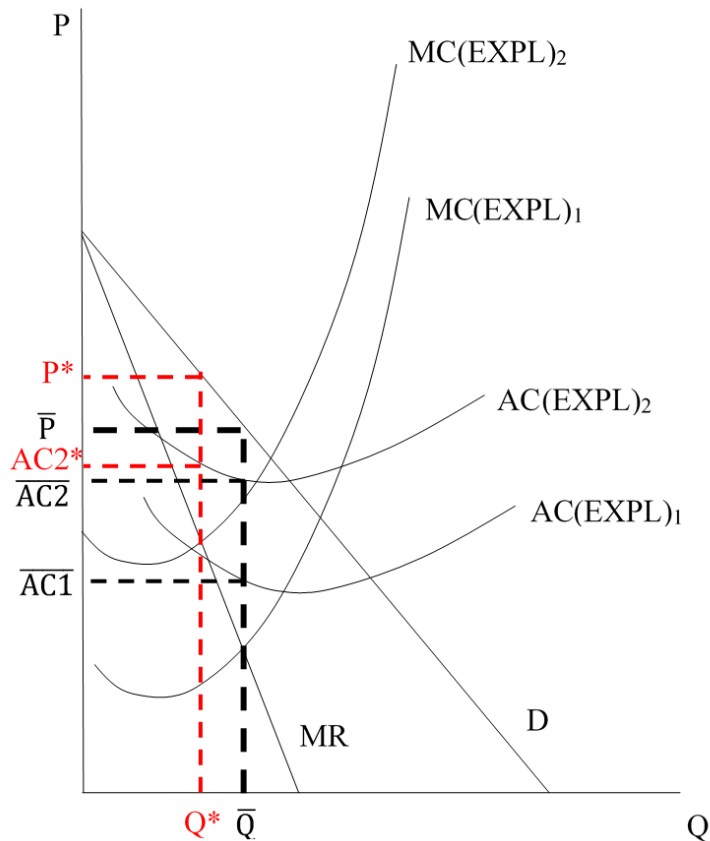


Figure 1. The effect of the just wage in the market of production, Source: author.

The initial optimum is  $MR=MC(EXPL)_1$ , i. e. at the level of production  $\bar{Q}$  and at the price  $\bar{P}$  and at the level of income of the entrepreneur  $(\bar{P} - \bar{AC}_1) \cdot \bar{Q}$ . If the firm decides to pay the just wage ( $W+$ ), its explicit costs increase to  $MC(EXPL)_2$  and  $AC(EXPL)_2$ , so that its profit-maximizing quantity will be  $Q^*$  at the level  $MR=MC(EXPL)_2$  at the price  $P^*$  and the income of the entrepreneur  $(P^* - AC_2^*) \cdot \bar{Q}$ . However, the firm will voluntarily stick to the level of production  $\bar{Q}$  and at the price  $\bar{P}$  and at the level of income of the entrepreneur  $(\bar{P} - \bar{AC}_2) \cdot \bar{Q}$ , i. e. in a situation  $MC(EXPL)_2 > MR$ . The firm, in effect, does not maximize the entrepreneurial profit  $\Pi$ .

In a figure which captures the situation from the perspective of the labor market, it will look like this:

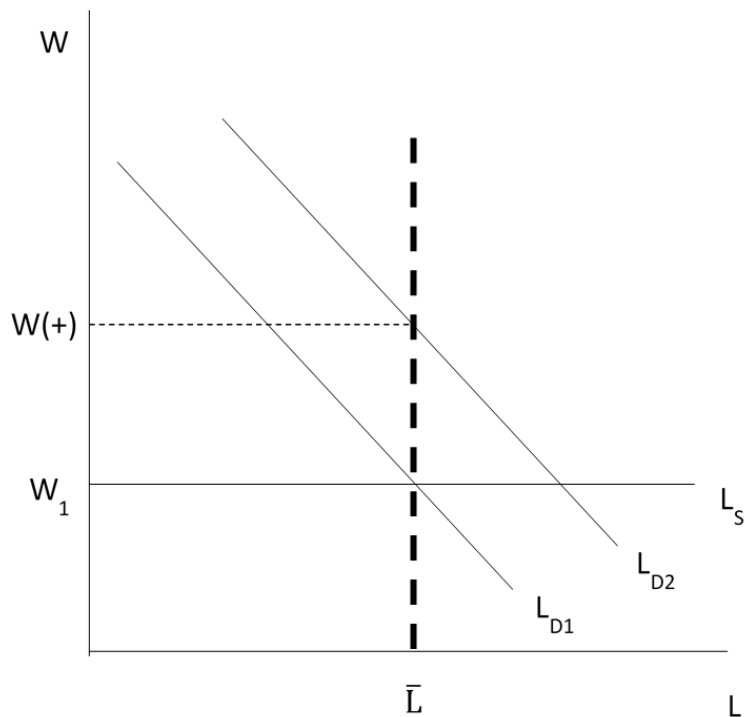


Figure 2. The effect of the just wage in the labor market, Source: author.

Assuming a perfectly competitive labor market, the firm faces a perfectly elastic labor supply which means that, given the market wage  $W_1$  and given the firm's labor demand  $L_{D1}$ , the firm wants to employ the quantity of labor  $\bar{L}$ . As the firm decides to pay the just wage ( $W_+$ ) at the level of employment  $\bar{L}$ , its labor demand will shift to the position  $L_{D2}$ , and the volume of the paid wages increases from  $W_1\bar{L}$  to  $W(+)\bar{L}$ .

Capturing the situation in a figure of isoquant-isocost analysis, i. e. in a model of the long run, the situation will look like this:

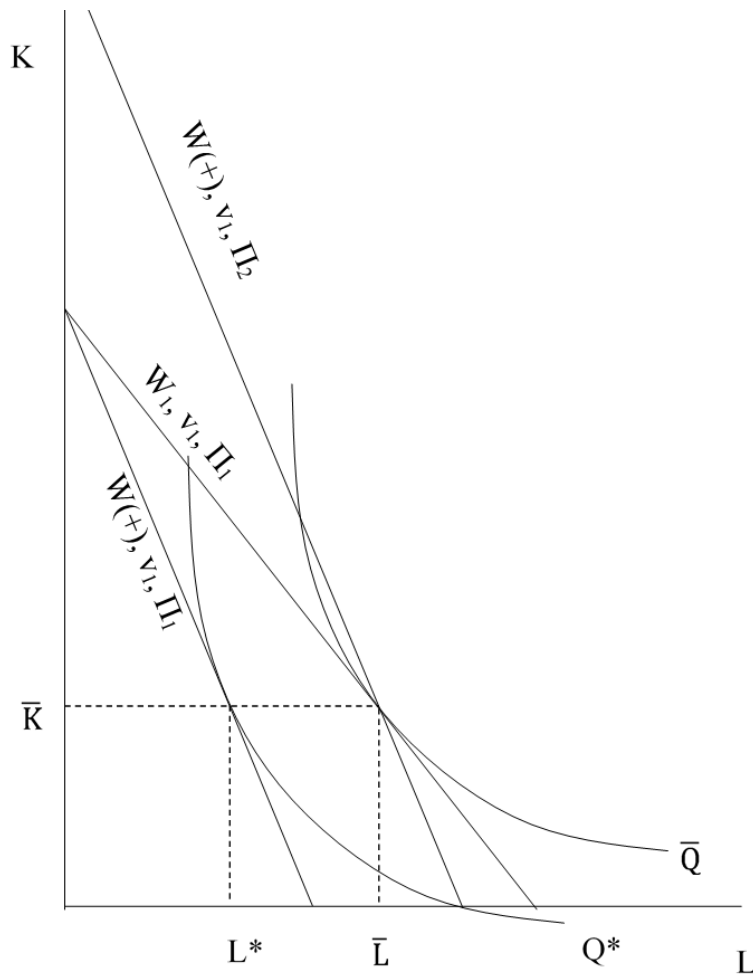


Figure 3. The effect of the just wage from the long-run perspective, Source: author.

At the initial level of market wage  $W_1$  and returns from the capital goods  $v_1$  and at the given price  $\bar{P}$  and production  $\bar{Q}$ , the firm employs the quantity of labor  $\bar{L}$  and quantity of capital goods  $\bar{K}$ . After the firm decides to pay the just wage ( $W_+$ ), the price of the labor increases from  $W_1$  to  $W_+$ . Which means that if the firm employing the capital goods in its own possession were deciding with respect to maximization of profit, it would decrease – at the given level of employment of the capital goods – the quantity of employed labor to  $L^*$  and the production to  $Q^*$ . However, since the firm does not want to decrease the production (because a decrease in production would result in an increase in the price to  $P^*$  which, at the macro level, would offset the initial increase in the real wage) and the employment (because the dismissed labor force is not receiving the just wage), this “free lunch” need to be paid by the owner of the firm, either in a form of lower implicit returns from the capital goods (which is given exogenously by the explicit market returns of the capital goods), or in a form of the lower entrepreneurial profit from  $\Pi_1$  to  $\Pi_2$ . Even then, the firm is not on the highest achievable isoquant. The firm would get onto the highest achievable isoquant as a result of substitution of labor by capital goods which would mean dismissal of a part of the labor force, though, again. Now, the reason why the lowering of the entrepreneurial profit shifts the firm onto a higher isocost line is that a lower entrepreneurial profit increases, at the constant sales revenues  $P \cdot Q$ , the budget for rewards of the factors  $L$  and  $K$ .

If we assumed a model of the firm where the owner of the firm is not the owner of the capital goods but rents these capital goods from other owners, the situation would be different only in that respect that all costs of the factors of production would now be explicit costs. As a result, the total income of the owner of the firm would be equal to the entrepreneurial profit:

$$\frac{\Pi}{E} = \frac{\bar{P} \cdot \bar{Q}}{E} - \frac{TC(EXPL)}{E} \quad (9)$$

An increase of the wages to the just level would necessarily result in a lower entrepreneurial profit. Graphically, the situation would be captured identically.

To sum up, there is no way to force the owner of the firm externally, to pay the just wage if he does not want to. The threat of external sanctions has no effect. The only sanction which has an effect is the internal sanction. If the just wage is supposed to be paid, then, only the own conscience can force the owner of the firm to do so. There are economists, though, who contend that just wage as a concept results in inefficiency even if the just wage is being enforced by only internal sanctions. Woods (2007) argues that the employer which is being forced by his own conscience to pay just wages will decide to rather not employ a person whose work effort does not have a value of the just wage to him. The only outcome will be that such a person will be unemployed and the employer will remain without the labor force which is inefficient. What Woods is not thinking of, though, is that if the worker's effort does not have the value of the just wage to the employer, then, the employer does not have the obligation to pay the just wage to him. Why? Because the difference between the just wage and the value of the worker's effort would be a gift of the employer to the worker. Now, it is the essence of a gift that it is given for free. Nobody has a right to get a gift, then.

Another case is when the employers cannot afford to pay just wages because the demand for his product has dropped, and his sales revenues do not suffice for him to pay just wages. Which means, though, that the employer does not need such a quantity of labor force as so far. Now, the employer can either dismiss this extra labor force he does not need, or he can – moved by charity – keep the labor force employed. If the employer keeps the labor force he does not need out of charity, then, he is not obliged to pay the just wage to it (see Vašek, 1931, pp. 306), for the above given reason: the reward for a work effort I don't need is a (voluntary) gift. An objection can be raised: if I buy an object I don't need, out of charity, I don't have the obligation to pay the just price? There is a difference, though. This object I will keep, and I can resell it later for a just price. An unnecessary work effort by an extra worker cannot be resold later. As a result, the employer does not acquire the extra purchasing power by keeping the unnecessary labor force employed.

## Summary

In this paper, I have tried to disprove the argument of Burke (2010) and Kennedy (2010) that a payment of the just wage (or a payment of the just wage to ordinary employees, respectively) is an act of distributive justice. In agreement with Máslo (2021), I build my argument on the insight that if the employees and employers really were creating a community of work and if the product really were in common possession of this community, the employees could take their proportional

share from the common property of the community. Such a conduct is a theft, though, which means the above given argumentation cannot be true.

I accept the argument that a payment of the just wage is an act of social justice (Quadragesimo anno, 71). Besides, I have tried to provide a more precise reason for the statement of Vašek (1931) and Vodička (1946) that a payment of the just wage is an act of commutative justice. I distinguish a personal component of the just wage (a compensation of an employee for costs of psychic and physical recovery) and a family component of the just wage (a compensation of an employee for costs of support of his family). I have made Vašek's (1931) reason for the existence of the personal component of the just wage more accurate by my argument about the analogy with renting a capital good. I have answered the empiricist objection of arbitrariness of quantification of the just wage by pointing out the distinction of necessary and accidental signs.

In agreement with Máslo (2021), I contend that it is the owners of the firms (owners of equity) who hold the key to the just wage. As long as the owners of equity are not willing to decrease the rate of return or their invested capital (equity), neither the government via the legal minimum wage, nor the employees via a coordinated decrease in the labor supply and a simultaneous decrease in the demand for market production can force the owner of equity to start paying the just wage. There is no way to make the employer start paying the just wage if he does not want to. The threat of external sanctions has no effect. Any externally enforced increase in the wage turns out to be counter-productive, in the end. The only sanction which is effective is the internal sanction. If the just wages are to be paid, only the employer's own conscience can force him to do this.

I answer to the objection of Woods (2007) that the just wage brings about inefficiency even if it is being enforced by internal sanctions by Vašek's (1931) argument: the obligation to pay the just wage (at the level of compensation of costs of recovery and costs of support of the family) does not exist in case that the employer does not need the work. I develop Vašek's (1931) argument and make it more precise by an argument of the given gift the essence of which is that it is given for free which is why the employee does not have a right to it.

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