

# Maximum Wage as a Morally Acceptable Multiple of Minimum Wage

Prabhakar Deshpande

---

**Abstract:** Gap between Maximum Wage and Minimum Wage in Public Sector and Government is 15 to 20 times, whereas in Private sector Maximum Wages can be 10000 times Minimum Wages. Hence there is need to reduce maximum wages in private sector and public sector so that they are morally acceptable multiple of minimum wages.

---

Date of Submission: 01-06-2022

Date of Acceptance: 13-06-2022

---

Karl Marx said - "From each according to his abilities, to each according to his Needs."

Hence, since one would expect needs of poor person to be same as needs of rich person, if one were to follow dictum of Karl Marx, then everybody should receive same income.

However we live in a real world and not an idealistic world and wages of poor people and rich people are very different, though it should be obvious that needs of poor people and rich people are exactly the same.

Indeed even in communist Cuba, there is significant difference between wages of blue collared labourers and white collared knowledge workers. In fact even in Communist USSR or Communist China, maximum wages were almost 10 times minimum wages.

However just because we cannot achieve the ideal situation where everybody's wages are exactly equal, does not mean that we should permit a situation where maximum wage is unacceptably higher than minimum wage.

And in public sector and government, the maximum wage is tolerably higher than minimum wage. Usually maximum wage in public sector and government is 15 to 20 times the minimum wage even in capitalist and consumerist nations such as United States of America.

However in private sector maximum wage can be unacceptably higher than minimum wage. For instance in USA, where minimum wage is around 7 dollars per hours, minimum annual wage can be 15000 dollar per year. However maximum CEO wage in USA is around 150 million dollars and average CEO wage in USA is around 15 million dollars. Thus average CEO wage in USA is 1000 times minimum wage and maximum CEO wage in USA is around 10,000 times minimum wage.

In India minimum wage is around 100,000 Rs. Per year and average CEO salary is around Rs. 10,00,00,000 and maximum CEO salary is around Rs. 100,00,00,000, thus average CEO salary is 1000 times minimum wage and maximum CEO salary is 10000 times minimum wage.

However in Japan where the minimum wage is around 15000 dollars, average CEO wage can be 1.5 million dollars, which is 100 times minimum wage. Even in European nations average CEO wages are at most 100 times minimum wage.

What is interesting is that in USA and India, where average CEO wages are 1000 times minimum wage, the public sector and government maximum wage is just 15 to 20 times minimum wage just like Europe or Japan. However private sector average CEO wage in USA and India are 1000 times minimum wage, whereas in Japan and Europe average CEO wages are 100 times minimum wage.

The question is are such high inequalities in wages are morally acceptable?

Economists would argue that wages are determined by marginal revenue productivity and since contribution of CEO to company is that high, those wages are merited and indeed justified.

That is such load of rubbish and nonsense.

Wages are determined by demand and supply. For instance in January 2012 mobile phone programmers were scarce commodity in India, and hence they got a salary that was almost 4 times salary of web programmers. But by January of 2014, mobile phone programmers were abundant, since many we programmers got trained in mobile phone programming and hence mobile phone programmers got salaries similar to web programmers.

And who is to say that a toilet cleaner contributes less to economy than say the chairman of central bank. Hence the huge difference between minimum wage and maximum wage is morally unacceptable. More than morality of it all the economic and financial mismatch that huge wage differences between maximum wage and minimum wage entails is cause of poverty and penury.

After all poor people have same needs for food, housing, education, health care. Then why should rich people receive a wage that is 100 times or 1000 times or 10000 times the wage received by poor people.

What the huge difference between maximum wage and minimum wage results is in wasteful expenditures at the rich end of spectrum and deprivation at the poor end of spectrum.

Some would argue that the poor do receive transfer payments and rich have to pay taxes. But even after accounting for all that the wage gap between poor and rich people is so large that it is morally unacceptable and economically ineffective in terms of welfare.

And if the wage gap between minimum wages and maximum wages in public sector and government is of the order of 15 to 20 times, than on what ground is the gap between minimum wage and maximum wage in private sector of the order of 100 times, 1000 times or 10000 times.

Shouldn't the wage gap in private sector between the minimum wage and maximum wage be same as that in public sector and government.

Basically it boil down to this - Are wages to be determined by needs or are wages to be determined to ability. Yes human abilities are different, but human needs are almost same.

Hence if Karl Marx's statement that "From each according to this ability to each according to his needs" should mean something, then the wage gap between maximum wage and minimum wage should be as low as possible.

A very huge gap between maximum wages and minimum wages creates many economic, social and political problems apart from being immoral and unethical.

A huge gap between minimum wage and maximum wage leads to deprivation among those earning minimum wage and also lead to wasteful expenditures towards those earning maximum wage.

A huge gap between minimum wage and maximum wage will leads to corruption among government and public sector employees who will try to match living standards of private sector employees.

A huge gap between minimum wage and maximum wage will increase crime in society and nation, since there is proven correlation and even causal relationship between inequality and crime.

A huge gap between minimum wage and maximum wage will increase black money and tax evasion, since those earning high maximum wages will have resources and incentive to evade taxes.

A huge gap between minimum wage and maximum wage will increase unemployment, since if higher minimum wage can increase unemployment as some economists argue, it should be obvious that by the same logic higher maximum wage will increase unemployment among white collared knowledge workers.

A huge gap between minimum wage and maximum wage will increase prices and inflation because goods and services produced will become expensive when high salaries have to be paid.

A huge gap between minimum wage and maximum wage will reduce exports and increase imports because as prices become high, exports will become non competitive and equally since wages are high imports will increase due to consumerism thus increasing trade deficit and disturbing balance of payments.

Hence it is incumbent on governments of nations of world to reduce the gap between maximum wage and minimum wage. A starting point could be that maximum wage in private sector can be indexed to maximum wage in government and public sector. Say Max Wage in private Sector is at the most 1.5 time Max Wage in public sector.

This will bring down maximum wage in private sector by factor of 1000 times in USA.

However the maximum wage in public sector and government themselves as a very high multiple of minimum wages in nations.

But this is presumably because the maximum wages in private sector are so high. Hence maximum wages in public sector and government are so high. Once the private sector maximum wages are indexed to public sector maximum wages then it would be possible to reduce maximum wages in public sector and government as well.

At present time, maximum wages in public sector and government are 15 to 20 times the minimum wage. Once the private sector maximum wage is indexed to public sector maximum wage by say a law that states that maximum wage in private sector can be at most 1.5 times maximum wage in public sector and government, then it should be possible to reduce maximum wage in public sector and government to at the most 8 times the minimum wage.

Of course there would be still taxes to account for. Once you are reducing maximum wages is there any reason to continue with direct taxes on income? After all corporate taxes and indirect taxes can get enough revenue. And direct income taxes on wages can be substituted by wealth taxes and inheritance tax of sufficient magnitude. And once you eliminate taxes private sector maximum wages need be just 1.25 times public sector maximum wages.

So if taxes on wages are eliminated entirely than the maximum wage in public sector and government can be reduced to as much as 4 times the minimum wage. And if the maximum wage in private sector is 1.25 times the maximum wage in public sector and government then the maximum wage in private sector can be at the most 5 times the minimum wage. This of course assumes that all direct income taxes on wages are removed and government revenues are garnered by corporate taxes on profits and indirect taxes and huge wealth taxes and inheritance taxes.

Only when maximum wages are at the most 5 times the minimum wages can we say that the dream of Karl Marx has been fulfilled - "From each according to his ability and to each according to his needs"

Also once the maximum wages are 5 times minimum wages there will be pressure to increase minimum wages adequately. Because somehow decisions are made by those receiving maximum wages and hence when their own incomes are indexed to minimum wages then minimum wages are bound to rise even as maximum wages fall.

Very strangely even in communist nations there hasn't been adequate discussions on the gap between maximum wages and minimum wages.

Maximum Wage law is as Mandatory as Minimum Wage Law.