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Politics of Commodity Pricing and Labour Pricing

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Abstract
The concept of social exclusion is derived from the theory of economic exclusion, which centres around an individual's income or purchasing power, which in turn is connected to the price of goods and services. Price is an economic or quantitative representation of a qualitative concept known as desire, which is further translated into demand based on an individual's ability and willingness to purchase. Price indicates the aggregate cost associated with producing goods and services, which includes various factors apart from labour. However, labour is the sole factor that has very limited bargaining power on its wages. As suggested in theory, the rate of increase in prices and wages doesn't always equilibrate, which is where the capitalist maximise their profit by squeezing the wages. However, this gap between wages and prices often leads to business cycles and generates a crisis in the capitalist economy. Labor differs from other factors of production in two respects. First, it not only contributes to production but also is the primary consumer. Second, labour is the human capital that drives economic growth and prosperity. Unfortunately, capitalists tend to overlook this crucial role of labour as human capital. Human capital which is the basis of formation becomes the basis of capital accumulation..

For a strong healthy and efficient human resource, nutrition has to be the first priority for every welfare scheme and public policy. Rising prices of food and fuel becomes a hindrance with fall in real wage.
This paper will explore the empirical relationship between price fluctuations and growing wage disparities. This paper also attempts to analyse how price of product and price of labour are intertwined and affect the macroeconomics trends.

Key words: Price, Wages, Market, Fluctuations, Labour

Introduction

The 'Price' is one of the fundamental expressions of any commodity produced by human labour but as an expression it is essentially a hypothetical thing unless it's compared with the 'price' of something else even with the product itself. More over the price is economic or the quantitative expression of a qualitative thing called the desire which is often termed as demand. Take for example there is a transaction of a commodity/service, say an individual purchases a shoe or a health insurance policy. Now the whole transaction involves two things. First the money part paid (Price) and the second the service (the health insurance) or the commodity (the shoe). The first part, the price, represented by some digits shows the quantitative part and the second part, the need for a health insurance or for that matter the shoe is purely the qualitative part, the *requirement* of a human being, which is also known as utility of the products in economics.

If we don't need anything, the price of the same is simply an abstract thing for an individual. For example, as an individual, we seldom show interest in knowing the price of an 'international space station' or the price of the mars rover because we simply don't *need* to purchase either the 'international space station' or the Mars rover. But again we know it well that even an 'international space station' or the Mars Rover has to have a price tag. Now how can we define the price? In simplest terms the price is the aggregate cost of the labour and other factors used to produce a product that is a commodity or a service. Among the other factors, Wage is a strong determinant of price. Price refers to the amount that the consumers are willing to pay to attain a commodity. Whereas cost refers to the expenditure incurred in production of a commodity.

Objective
- To analyse the relation between commodity pricing and labour pricing.
- To study the labour pricing effects on the effective Demand of the market.
- To establish internal and external balance of macroeconomic stability in regard to price stability and wage stability.

Wage as a determinant of price
Wage is the cost of the labour but it has much higher significance in the economy because the wage is synonymous to the purchasing power. In other words two factors are must to complete an economic transaction namely the production cost of the commodity/service, the *price* and the cost of the labour i.e *the wage.* Imagine a shop filled with the goods with no buyers is a sign of economic recession. Again a large number of buyers chasing a small amount of goods will result in inflation or hyperinflation. Thus wage reflects the purchasing power of the economy and becomes the accelerator for its growth. This is the reason countries growth is measured by its per capita income or average income. The PFLS report

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given below shows on an average an agricultural labour(male) earns around 250 per day from farming and other allied services. If he or she gets to work on all 5 days a week, average monthly income comes to 5130 for a male worker and around 4000 for a female worker. Similarly on an average non agriculture workers earn around 13,500 monthly as given below. This amount is not only their factor income but also reflects their purchasing power. This wage is the nominal wage. Till it is being represented in real income, the purchasing power of the worker is ambiguously defined. To analyse the role of wage in an economy the general price level needs to be relatively compared with the existing wage level, to be precise the nominal wage.

Table 1 and 2 shows the wage rate studied by the Ministry of Statistics and Programme Implementation in different occupation both related to agriculture and non-agriculture. Here it is worth mentioning that the minimum wage rate has been fixed by the government which is generally higher than the PFLS report conducted time to time.

Table-1: All India average Daily Wage Rates for Agricultural Occupations in Rural India during May, 2020 (By Sex). PFLS Report (in Rupees)

Sl. No	Occupation	Men	Women	Children
1	Ploughing/Tilling workers	362.58	229.84	-
2	Sowing (including Planting / Transplanting/Weeding workers	323.25	252.00	@
3	Harvesting/ Winnowing / Threshing workers	321.76	262.57	@
4	Picking Workers (including nursery growers)	297.90	252.20	@
5	Horticulture workers (including nursery growers)	303.67	254.37	-
6	Fishermen – inland	243.00	-	-
7	Fishermen - Coastal / deep - sea	@	@	-
8	Loggers and wood cutters	390.88	@	-
9	Animal husbandry workers (including poultry workers, dairy workers & herds man	250.98	182.20	128.00
10	Packing labourers, agriculture	288.71	262.50	@
11	General agricultural labourers (including watering/ irrigation workers)	301.94	233.45	178.89
12	Plant protection workers (applying pesticides, treating seeds , etc.)	351.82	247.50	@

- = Indicates that the particular category of workers, i.e. men/ women /children were not engaged in that operation either because of their non-availability; or the activity connected with the occupation was not undertaken.; or the activity was out of season etc.
@ = Number of quotations are less than five.

Table-2: All India average Daily Wage Rates for Non-agricultural Occupations in Rural India during May, 2020 (By Sex).PFLS report (in Rupees)

Sl.No	Occupation	Men	Women	Children
1	Carpenter	478.17	-	-
2	Blacksmith	379.59	@	@
3	Mason	530.96	@	-
4	Weavers	321.10	@	-
5	Beedi Makers	255.00	155.75	-
6	Bamboo, Basket , Weavers	273.04	233.00	-
7	Handicraft workers	471.89	@	-
8	Plumbers	478.31	-	-
9	Electrician	438.09	-	-
10	Construction workers	352.65	263.97	-
11	LMV & Tractor Drivers	389.06	-	-
12	Non-agricultural Labourers	319.47	244.45	@
13	Sweeping/Cleaning workers	266.85	235.28	-

- = Indicates that the particular category of workers, i.e. men/ women /children were not engaged in that operation either because of their non-availability; or the activity connected with the occupation was not undertaken.; or the activity was out of season etc.
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Emergence of price
Historically the concept of price plays the most important thing which determines social relations and it also becomes an identity of different political-economic systems. For example, in barter or the most primitive form of transaction the

concept of price was at its rudimentary form as there were no fixed standards. With the development of society, the business transactions changed dramatically. There were two factors /hypotheses which were responsible for that. First the concept of currency and second was the concept of measurement like length, width, weight to name a few. With the discovery of these hypotheses it was easy to fix the standard in transactions and put a price on a good/service and the labour. Technically tools of measurements were there to determine the standard but the 'exchange rate' was yet to come into existence and soon we come to realise that this 'exchange rates' in between two products/services is little more than just a mere calculation. It was a tool of suppression and exploitation too apart from assigning value of a product. To analyse this the price trend in India has to be studied

Like other developed and developing nation, India has a history of inflation. The reason behind this rise has changed from time to time. At times there were supply shocks at times there were demand shocks. Overall there has been a rise in general price level and has been a tough challenge for different governments, from time to time, to address this issue. On an average India has been through 8% inflation from 1980 to mid 1990.It rose to 10% in between 2008-2013.

Table 3.General inflation based on differentprice indices (in per cent)

2012-13		2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
WPI	6.9	5.2	1.2	-3.7	1.7	3.0	4.3 (P)
CPI – C	9.9	9.4	5.9	4.9	4.5	3.6	3.4
CPI - IW	10.4	9.7	6.3	5.6	4.1	3.1	5.4
CPI - AL	10.0	11.6	6.6	4.4	4.2	2.2	2.1
CPI - RL	10.2	11.5	6.9	4.6	4.2	2.3	2.2

Source: Office of the Economic Adviser, Department for Promotion of Industry and Internal Trade (DPIIT) for WPI, Central Statistics Office (CSO) for CPI-C and Labour Bureau for CPI-IW, CPI-AL and CPI-RL.
Note: CPI-C inflation for 2012-13 and 2013-14 is based on old series 2010=100; (P) - Provisional; C standsfor Combined, IW stands for Industrial Workers, AL stands for Agricultural Labourers and RL stands for Rural Labourers.

Contribution to CPI - Combined inflation 2017-18and 2018-19 (Share in per cent)

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Source: Computed from CSO data

The table below shows the Indian inflation rate and the annual change.

Table 4.India Inflation Rate - Historical Data
https://www.macrotrends.net/countries/IND/india/inflation-rate-cpi

Year	Inflation Rate (%)	Annual Change
2022	6.70%	1.57%
2021	5.13%	-1.49%
2020	6.62%	2.89%
2019	3.73%	-0.21%
2018	3.94%	0.61%
2017	3.33%	-1.62%
2016	4.95%	0.04%
2015	4.91%	-1.76%
2014	6.67%	-3.35%
2013	10.02%	0.54%
2012	9.48%	0.57%
2011	8.91%	-3.08%

Inflation or price rise is a requisite of macroeconomics trends. In general a 2-4% inflation acts as an energy booster for any economy, encouraging the investors. Wages are indexed with contracts to support the workers during price rises. But since in India 91% of the labour force work in the unorganized sector , they are not wage indexed and face the adversity of price rise. Perfect balance in-between the price of a commodity/service and the price of the labour is the baseline for a vibrant economy. However, like the perfect competition, the perfect balance in-between the production cost (price) of a good /service and the price of the labour/wage a.k.a purchasing power is also a hypothetical concept. The concept of wage is one of the most discussed topics but unfortunately it ends up nowhere because the very concept of the wage is nothing but a hypothesis. We are yet to devise a formula to establish the price of the labour which is also known as the wage. The parameters (Marginal productivity) used so far have their own shortcomings.

Relation Between price of product and price of labour

According to a report published in CNBC,7th Nov 2018, the median annual salary of the health professionals like Anesthesiologists, Oral and maxillofacial surgeons, Obstetrician and gynaecologist is roughly $208,000 per year. At the same time currently, under the Fair Labor Standards Act (FLSA), employers are required to pay $7.25 an hour by federal law, which comes out to about $15,080 a year for full-time workers, that is roughly 13 times less than the highest salary. In India the wage disparity is much worse. According to a report published in Economic Times the, '*HCL Technologies CEO C Vijayakumar is the highest-paid executive among peers. His compensation reached $16.52 million or about Rs 130 crore per annum.* At the same time the minimum annual wage in India is 22 thousands per month which translates into roughly 2,64,000 and this stands out to be 4,924 times lesser than the highest paid person. From this point another question arises, that is, who decides the wages or price of the labour?

Determining Price of labour

Going back to the past, in a slave society, it was solely the will of the slave owner to 'pay' his slaves against his/her labour and naturally a slave is not supposed to own anything which could create purchasing power. Thus he/she was not eligible to act as a consumer of the products. With transition in socio economic system, feudal era emerged where the serfs were supposed to have a piece of land but again they had to work in the land of the fief and for the church without any payment. So far there was productivity but without the price of labour but the price of commodities existed. By selling the meagre commodity produced and left after consumption, concept of price . It was in the capitalist society that the poor suddenly discovered that they have a unique thing to sell that is their labour and that also in cash, which is also known as their salary/wage/income. With the emergence of cash the workers were also given an identity of consumer, where they could buy products they produced, as a consumer. Thus the concept of market was enhanced, where labour was not only a factor of production but also a consumer, participating in creation of demand. However in these different societies one thing was common. The 'exchange rate of the price of a commodity/service and price of the labour were never fixed. It was still the rich and powerful slave owner/ the local fief and the factory owners who were deciding the 'price' of the slave/serf and the factory labour. It may sound a little weird but every time the responsibility of fixing this fundamental error was given to some super natural power. It was 'god's will' which was responsible for the meagre or no payment for the human labour in the slave owning /Feudal era (Fatalistic). In capitalist society it's the 'market' who has the last say over the price of the labour, (the invisible hand).

There are two fundamental factors for any economic activity namely the product and the consumer. The 'price' is a common thing in-between the two. In classes of micro economics we have seen the price graph where the cost of the commodity is plotted on the 'Y' axis and the purchasing power/demand or supply is plotted on the X axis. The point where demand and supply curve intersect determines the price. However it's a hypothetical thing because there are gaps in-between the two because the purchasing power (salary) and the cost of the product is often manipulated. In this scenario it's very common that there is a demand for a commodity in the market. There is supply of that commodity in the market but transaction doesn't happen. Why? Because the purchasing power of an individual is too meagre to afford or to consume the good. Food items are the prime example of this phenomenon. Rising inflation often stops the consumer from purchasing the desired quantity. In the year 2022, the average wage rate was 7% while inflation rate was 6.7%. The difference between real income and nominal income due to constant price rise creates a gap between quantity demanded and quantity supplied, due to lack of purchasing power which in turn is determined by falling income due to price rise. One important thing that is to be noted while stating the above data is, the calculation of wage rate is for organized sector and not for the unorganised sector which is 91% as per Economic survey 2021-22. In the unorganised sector wage rate undergoes the threat of bargaining which further reduces the price of labour.

The Third Factor

Besides these two fundamental factors there is a third factor in international trade, i.e. the price difference in-between two of the currencies. Exchange rates have a strong impact on price rise. With increase in import, foreign reserves get adversely affected as BOP is unstable. With increase in exports domestic demand can get adversely affected. So maintaining the CAD becomes another challenging requisite for macroeconomic stability known as external balance. Now we have three factors namely the cost of the product, cost of the labour /purchasing power of the consumer and the cost of the currency and all of these three are fluctuating factors. The third factor was comparatively the most stable one and the price fluctuation of currencies were largely controlled during the era of fixed exchange rate and the gold standard. With the abolition of the gold standard, like the cost of the goods and cost of the labour the currencies are also controlled by an extra natural thing called market and needless to say open to price fluctuation. With all these fluctuating factors, gap between demand and supply, in the era of market economy, recession seeps in. Government tries to overcome this gap through subsidies in a socialist pattern, while capitalists fill the gap through the credit facilities by financial institutes. It has been observed that some rich and powerful countries dictate and control the cost of the goods produced by the poor farmer and the wage of the labour, likewise in global scenarios it's the rich countries who dictate the terms and conditions while doing trade with a poor country.

It's mostly the poor country who is supposed to devalue her currency. It's the people of the poor country who are supposed to work at abysmally poor wages and it's the poor country who is supposed to provide its natural resources, and farm produce is sold at cheap prices to a rich nation. Historically the mechanism of Price and the 'price structure' as a phenomena is a tool to rule and exploit the weak. The design is the same, just the scale, magnitude and methodology is different.

Conclusion

Now what's the way out? In one word the only way out is the control and regulation of the pricing mechanism. We need to control and standardise the prices of all the three important factors to run an economy. It's worth mentioning over here that the fact regulation of the prices is not a hypothetical thing. We have experienced the regulated currency exchange rate till 15th August 1976. In the time of the New Deal we have seen a regulated wage structure where like minimum wage the maximum wage was fixed. If we regulate two of the three factors, namely the wage/purchasing power/ price of the labour and price of the currency, the third one, the production cost, will be regulated much more easily. It will also bring stability in the world economy and we can get rid of a series of recessions. As we know macroeconomic stability demands internal stability, and internal stability comes from price stability. Price stability further affects wage stability. Once this is achieved macroeconomic equilibrium can be attained.

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