

## Chapter 6: It's Not About Wages

Virtually everyone thinks they aren't paid enough for what they do. It's just one more example that people have unlimited wants, but only limited resources.

In a free market economy the wage a person receives is roughly in proportion to what they do to further the goal of providing as much stuff as possible that people want and need.

What we need to understand is that *human labor is also part of the stuff*.

Labor can be thought of as just one more commodity, whose value is determined how badly other people want it compared to how much is available. Its value is determined by market forces – supply and demand - just like everything else.

The term “labor” used to mean physical exertion, but here I will use it more generally, to include mental exertion as well. Today, the most valuable labor is that which involves knowledge and creativity, not a strong back.

How do we decide how much a job is worth in terms of wages or salary? Let's say you are a teacher. You are helping to train up and form the minds of the young people who will one day determine our nation's future. Clearly this is an important job. Can anyone doubt that there are few jobs as important as that of the teacher?

Now let's look at the farmer. Without food, we all will die. Farmers grow that food. Can anyone doubt that there are few jobs as important as that of the farmer?

But despite the importance of the farmer and teacher to the existence and future of our nation, their earnings are typically not that high – unless those wages are artificially inflated through some sort of pressure apart from the free market.

Why are such important jobs not compensated in proportion to their importance? The reason is that there are too