

William Heegaard

SID: 20017065

Public Policy 103

5 March 2009

The Plane-Ticket Problem: Solutions to a Low-Price Low-Cost Culture

As US citizens, we are bipolar. We call for corporate social responsibility, yet on November 28, 2008 a mob of more than two thousand bargain shoppers trampled a Wal-Mart employee to death in a rush for the deals (Macropoulos, McFadden 1). In recent decades, the rift between the consumer and the conscience has grown, and with the flood of bargains coupled with decreased job security, more are choosing the path of least resistance. As a result of tighter budgets and lack of public awareness, the playing field in which our ideals compete is skewed. However, every time we let our low-price mentality take over, we end up giving money to the companies that cut the most costs, usually by slashing wages, laying employees off, reducing health care coverage, and forcing suppliers to do the same. The vicious cycle of lowering prices by lowering costs leaves us struggling to survive. However, we cannot blame ourselves for buying what's cheap; we *can* blame ourselves for not keeping our democratic system up to speed with our capitalist economy. The only way to keep what has become a culture of consumerism in check is by voting in favor of policies that prevent companies from leaving the worker on the wayside. Therefore, I argue that I would not buy a cheap plane ticket over a more expensive one because I can afford to be a conscious consumer. However, for those who cannot, it is their right to have access to the lowest price on the market. Since there is exists a discrepancy between those with and without the means, the only way to involve all citizens in the quest for wage regulation and enforced corporate responsibility is through voting.

This essay focuses on analyzing the rights and responsibilities of the American consumer. I start by examining the corporate shift from providing stable jobs, wages, and benefits for all employees to cutting prices by slashing labor costs. I then segue into discussing the dual mindset of the citizen and how we can balance our conflicting desires. I end with the argument that while the current system is tilted in favor of the low-price seller and the low-price buyer, we can raise that bottom line by exercising our voting power and by bringing our system of democracy up to speed with capitalism.

The cycle that now forces us to decide between low-price airplane tickets and employee wage erosion can be traced back to technological innovations made during the Cold War. The oligopolies that had previously divided the market between each other were challenged by government technologies that revolutionized transportation, communications and manufacturing, making it cheaper to design and produce as an individual. As they leaked into the public sector they “cracked open the stable production system and... forced all companies to compete more intensively for customers and investors” (Reich 7). For the first time, consumers were able to pick and choose between a multitude of different companies selling a plethora of different products. Unaware of the future consequences, people gravitated towards the “good deal.” Where companies used to compete in quality, most now competed in price.

Driving down price to bring in customers required a change in the way businesses ran. Since the shareholder revolution took off, employees have seen an increasing gap between productivity and wages, security and benefits. “Median weekly earnings (wage earners who are at the 50th percentile of income distribution, with half the workforce earning more and half less) have fallen by 3.2 per cent in real terms since the start of the recovery in October 2001” (Guha, Luce 1). Not only have wages decreased, but economic security has fallen as well. The

number on a paycheck now fluctuates more than ever. “During a ten year period, Americans aged twenty-five to sixty-one have less than a fourth the income in the year they’re poorest, on average, as they do in the year they’re richest” (Hacker 23). Jobs themselves are also less secure, as corporations streamline, downsize, and restructure to improve competitive efficiency. Finally, companies have significantly cut health care coverage and retirement benefits, leaving Americans scrounging to save money for future unknowns (Hacker 13-14). These forces have pushed us to decide more often to buy the cheaper airline ticket, whether we realize it or not.

As a result of these changes in wages, benefits and security, the duality of the American mind has shifted to focusing more on personal survival than moral obligation. With the weight of personal security on their shoulders, people are much less likely to join any movement that requires a contribution from their wallets. Deciding to halt wage erosion by buying more expensive airline tickets requires three things: the means, the knowledge, and the will. We can’t expect citizens who don’t have the money to buy more expensive airplane tickets to do so. Also, many people aren’t aware of the problem. The few people who have the money and the knowledge may not believe in the movement, or feel like their act of conscious consumerism will be a “drop in the bucket.” For those who can’t afford to spend money on airlines that pay good wages or who aren’t aware of the problem, the solutions are relatively straight forward: provide subsidies for tickets and education on the effects of the “bargain.” However, for those who could pay but don’t, which includes a lot of us, the problem and solution is much more complex.

Many people who have the resources to contribute believe that the overall positive effects of cheap flying (and low prices in general) outweigh the negative effects of increased job insecurity. Cheap tickets allow more people to travel, bringing them all the opportunities that are included: new jobs, housing, proximity to family, ect. However, other research suggests that

increased economic insecurity and inequality, as caused by hyper-competition for low prices, destroys social capital, creating a more violent, hostile society in which all of us live. This clash between economic theories can only be solved through increased research and debate.

People are also less willing to contribute to the movement for higher airline wages because the increased economic insecurity paired with rising inequality has taken its toll on their good will. The chance of spending at least a year in poverty, an excellent measure of job insecurity, has risen dramatically. “People who were in their forties in the 1970’s had around a 13 percent chance of experiencing at least a year in poverty during their forties. By the 1990s, people in their forties had more than a 36 percent chance of ending up in poverty – an almost threefold rise” (Hacker 33). According to anthropologist Marshal Sahlins, poverty is not a set number of possessions or relation between success and failure or but a social status relative to others that leads to increased hostility, homicide, racism, and decreased community involvement (Wilkinson 40). As more people face the realization of being low class, they feel more stratified, more bitter, and are less willing to support a social movement that requires money.

On the other hand, it is possible that as more people spend time in poverty more will feel sympathetic to the poor and, when they have the resources, will participate in movements that provide aid or systemic change. However, people cannot act for long-term change when they aren’t guaranteed any long-term security. Of those who may empathize with people experiencing wage erosion, since they may soon be victim themselves, they can’t risk spending money that they might need.

So what to do? In his book Supercapitalism, Robert Reich argues that “our desires as consumers and investors usually win out because our values as citizens have virtually no effective means of expression – other than in heated rhetoric against the wrong targets”

(Reich 89). By this he means that our system of democratic control over capitalism have fallen and that another system hasn't arisen to replace it. While his argument makes a valid point, the democratic system that once kept capitalism in check has not fallen; it has just fallen behind. Although technology has led to a revolution in the way we do business, it has not been implemented nearly as effectively in the way we vocalize concern, seek representation, or vote.

This does not mean, however, that our system should be thrown out with the bathwater. The ineffectiveness of our democracy in monitoring corporate activity can still be solved by working within the system. As citizens, we can balance our conflict between good deals and social responsibility by exercising our power in the voting booth. Voting allows the solidification of a social movement without any direct or instantaneous cost. Therefore, I think that voting, not only for better representation but also for a better system, is the most effective way of combating the negative consequences of uncompromising capitalism as we now see it. One possibility would be to implement a new system of instant-runoff-voting, which would encourage the introduction of new parties that could directly confront the problem of wage erosion. By voting we can continue to exercise our right as consumers to buy the lowest-priced product available, because the lowest price will be high enough to give employees a livable salary.

However, even putting wage regulation on the ballot does not ensure support, especially if it requires raising taxes. As Robert Frank argues, "If I am carrying \$5,000 of credit-card debt and thinking about my needs for the next month, and somebody then proposes a tax increase, I am going to say I just can't afford it, even though I am fully cognizant that public services are underfunded" (Frank 85). For many Americans, voting for increased taxation doesn't sound like a good idea because they can't afford it. As a solution, subsidies could be granted for those who wouldn't be able to pay tax increases, or a new system of graduated income taxation could

be introduced that would tax rich people heavily and poor people no more than they can afford. Either way, it is critical to recognize the responsibility of those with means to act as catalysts for the modification of our democratic system.

In conclusion, the duality of the American mind can be reconciled by bringing democracy up to speed with capitalism. This can be accomplished by voting for policies that not only regulate corporate action but also establish institutional changes that allow our system to compete with the flexibility and ingenuity of the business sector. The question of purchasing a more expensive plane ticket to combat wage erosion for airline workers illustrates the complexity of establishing and participating a social movement. For those who lack the resources as a result of the current system, it is their right to have access to the lowest products possible. However, those who have means must recognize the negative overall effect that economic insecurity and inequality has on social capital and act as the catalysts to bring the issue to the ballot.

Works Cited

Frank, Robert. *Falling Behind*. Berkeley, CA: University of California Press, 2007. Print.

Guha, K. and Luce, E. "Summers and Rubin to Highlight Lagging US Wages." *Financial Times*. 2006. Web. 5 March 2009.

Hacker, Jacob. *The Great Risk Shift*. New York, NY: Oxford University Press, 2006. Print.

Macropoulos, R. and McFadden, A. "Wal-Mart Employee Trampled to Death." *The New York Times*. 2008. Web. 4 March 2009.

Reich, Robert. *Supercapitalism*. New York, NY: Vintage Books, 2007. Print.

Wilkinson, Richard. *The Impact of Inequality*. New York, NY: The New Press, 2006. Print.