

Minimum Wage: Leadership Failure Epitomized

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Minimum wage hikes are popular. To some public officials that's all that matters. Never mind analysis and the evidence. Give the people what they want. That's not leadership; at least not the kind that anyone should be proud of. A significant number of public officials are even willing to leverage public support for the minimum wage to help special interests at the expense of the poorest of the poor (see below).

There is significant evidence that setting a minimum wage above the prevailing market wage for some kinds of labor eliminates the jobs of the least advantaged members of society. And there is evidence that such disguised attacks on the least advantaged are often intentional (see below). Mandated wage hikes reduce hiring, and increase the number of people seeking employment. The resulting surplus is called unemployment. So, mandated wage hikes reduce the economy's output by causing employment to be **less than it otherwise would be**, especially among the workers with the least skills. Less total output means less total income. That means that minimum wage-induced raises are more than offset by reduced income growth elsewhere in the economy.

The unskilled labor surplus facilitates increased selectivity by employers. And even the most common, indeed entirely rational basis of selectivity, has a dark side. Since employers hire the best applicant, the least skilled and least experienced become the persistent leftovers. They fall further and further behind. And there is an even darker side: To some employers, there is more to 'best applicant' than likely productivity. Sadly, for all the progress we have made against bigotry, skin color and ethnicity is still an issue for some employers. The unskilled labor surplus created by minimum wage hikes lets bigots be bigots at a lower cost to them; something that costs society and the least advantaged a lot. They have so many applicants to pick from that for the minimum wage that they can quickly hire a qualified applicant satisfying any prejudice they have.

So, minimum wage hikes disemploy the labor that is worth the least. Though that disemployment effect is not well understood by the general public, the loudest proponents of minimum wage increases do understand it, and employ it their selfish advantage. The minimum wage law arose nearly 100 years ago to discourage businesses from substituting child labor for adults in some simple tasks. There isn't space here to debate the pros/cons of minimum wage as a child labor deterrent; other ways may have been more effective. The point here is that minimum wage laws are well-worn tools to benefit some at the expense of others. Three specific examples from the December 18 National Center for Policy Analysis (NCPA) Digest: 1.) "The 1931 Davis-Bacon Act was supported by the idea that it would keep contractors from using 'cheap colored labor' to underbid contractors using white labor; 2.) Apartheid South Africa enacted a minimum wage to price low-skilled black workers out of selected trades; and 3.) In the 1950s, New England textile makers supported Sen. John F. Kennedy's efforts to increase the federal minimum wage to

prevent competing mills from starting up in the low-wage South.” NCPA concludes that, “Today, the biggest backers of minimum wage hikes are unions. Their intent -- similar to the past -- is not to raise the incomes of the poor. Rather, they seek to block low-wage workers from competing with higher-skilled, but also higher-priced, union members.” (http://www.ncpa.org/sub/dpd/?page=article&Article_ID=13974)

The beneficiaries of minimum wage hikes are middle class teenagers and union labor with low-skill competition. They gain at the expense of society’s least advantaged people, low skill members of groups most likely to suffer discrimination. Leadership on this issue means explaining those poorly understood effects, fighting the demagogues exploiting the popularity of bad policies, and advocating policies that are known to benefit the working poor.