

How to Help Fast-Food Workers

Doubling the minimum wage may seem like a good way to help fast-food workers, but it would hurt them instead. So what should we do? We must sweep away the government-created barriers to income earning, barriers that protect established businesses from competition and rob the most vulnerable people of options.

This week, fast-food workers have engaged in 24-hour strikes throughout America to bring attention to their struggle to make ends meet. They have been demanding an increase in the minimum wage from \$7.25 to \$15 an hour and the right to organize unions.

The low minimum wage, however, is not the cause of their problems; it's a sign of deeper factors holding them back. In fact, the minimum wage distracts us from the radical changes we must make if low-income workers are to advance. Those who fixate on the minimum wage unwittingly do struggling workers a disservice.

What workers need is greater bargaining power, and that comes primarily from having options. Unfortunately, the corporate state, which people mistake for the free market, closes off options. Anything less than removal of these obstacles is a cruel hoax on those seeking better lives.

What's wrong with simply doubling the minimum wage? The answer is that wages are not arbitrarily set. Even in a corporatist economy, they result from supply and demand. This can be seen in an extreme hypothetical example, in which the minimum wage in the fast-food industry is raised to \$100 an hour. What would happen to employment? It's easy to see that it would plummet as the industry itself faded away. Why? Because, given the price of fast food, workers can't possibly produce \$100 worth of value for their employers in an hour.

Employers don't hire people as a favor. Businesses exist to make money for their owners. If hiring someone is to be worthwhile, that person will have to produce more than she is paid. If she can't, she won't have a job.

Couldn't a restaurant raise prices to cover the higher wages? It could try, but this would drive away customers, who would seek out cheaper meals at other restaurants. (Franchisee profit margins are already thin.) If they all raised prices, people would eat at home instead. What happens to the jobs then?

The point is that wages aren't set by picking numbers out of the air. Set them too high relative to value created, and the business disappears. Set them too low, and workers will look for alternatives.

So the spotlight should be on alternatives. On first glance, someone working at a fast-food restaurant seems to have alternatives. McDonald's faces competition from Burger King, Wendy's, and more. Low-skilled jobs can also be found in other kinds of businesses, such as Walmart. The problem is that the demand for such labor is more than matched by the supply. That's the thing about low-skilled work: lots of people can do it, especially when an economy has not fully recovered from a (government-induced) recession. That's why it pays to acquire marketable skills. (Rotten government schools handicap the most vulnerable Americans.)

Government aggravates an already bad situation anytime it erects artificial barriers to employment alternatives, including self-employment. But governments at all levels do this routinely, usually by protecting the well-connected from market competition.

How so? I couldn't possibly count the ways here. But we can mention the most common: Occupational licensing restricts entry into many kinds of work by raising the cost of going into business. Zoning restrictions prevent people from using their homes for commercial purposes. Restrictions on street vendors and cabbies quash small-scale entrepreneurship. Intellectual-property law inhibits or harasses those whose products might be construed as violating patents or copyrights. Government land holdings make land artificially more costly. Taxes and regulations impose greater burdens on would-be entrepreneurs than on large, established businesses.

All this and more shrink the options of those with limited skills and meager resources, forcing them to vie with one another for the remaining, perhaps less-desirable jobs with reduced bargaining power. This gives an unfair advantage to employers, who know there are others eager to take the place of any "troublesome" worker.

A higher minimum wage granted by a condescending ruling elite can't help people trapped in this situation. Only a radically freed market can.