

The Minimum Wage Harms the Most Vulnerable

Crocodile tears are flowing again for low-income people. In his State of the Union address, President Obama proposed raising the minimum wage from \$7.25 to \$9 an hour. A debate is shaping up between those who support the proposal and those who favor keeping the wage where it is today. But there are good grounds — for the sake of the poor — to repeal the minimum wage altogether.

Wages are not set by fiat, even in the U.S. economy, which is severely distorted by government privileges. Wages, rather, are determined by supply and demand. If the price of unskilled labor rises, why wouldn't employers buy less? No employer could long pay a worker more than the value he produced for the firm. That's why economic theory and empirical observation tell us that an enforced minimum wage destroys jobs, degrades the quality of other jobs, and prevents new jobs from being created.

The victims are the most vulnerable people in society: the unskilled. For the most part, these are young people (many from the middle class) without work experience. Few people over 24 make the minimum wage, and those who do usually move up before long. Young people desperately need that first job to learn skills and work habits, and of course income, but "progressive" politicians, whether they know it or not, favor policies that destroy entry-level jobs. Remember, the minimum-wage law doesn't create employment; it forbids jobs that pay too little.

Advocates of the minimum wage ought to explain why they believe competition among employers hasn't already bid up the wages of unskilled workers to reflect their productivity. How can anyone know that a \$9 minimum *won't* throw people out of work or make low-skilled jobs more onerous? No one can know this because only the market process can generate and disclose such information. Nevertheless, "progressives" are willing to gamble with the lives of people who are vulnerable enough as it is.

Years ago, unskilled youth cleaned windshields and checked oil at gas stations, showed people to their seats in movie theaters, and bagged groceries. Many of those kinds of jobs disappeared as the minimum wage rose. Teenage unemployment, especially among blacks, has been a scandal ever since.

If the advocates of the minimum wage really cared about people with low skills and low incomes, they'd support elimination of the myriad government barriers to entrepreneurship and small-business formation, which keep people down. These include occupational licensing, restrictions on street peddling, and zoning, all of which make it tougher for people living on the edge to start up modest businesses and hire people in a similar predicament.

It's no coincidence that these government barriers to self-employment exist: Established firms, which are always well-connected to the governing elite, dislike the free-wheeling competition that would grow out of a laissez-faire approach. It threatens their dominance.

The failure to move against these poverty-sustaining interventions indicates either that the self-styled champions of the poor are ignorant of economics or that they are poseurs. Let's not forget that the biggest boosters of the minimum wage are the leaders of organized labor, whose members' incomes are far above the minimum. Before we assume the motive is humanitarian, let's recall that such legislation was first proposed years ago by people who wanted to exclude their competition — particularly blacks and women — from the marketplace.

Economist Russ Roberts points to another bad consequence of the minimum wage: It “encourages exploitation” of workers by creating a “reserve army of the unemployed,” since a legislated minimum creates a labor surplus. Roberts writes,

Before the minimum wage, a cruel, selfish employer might have had to mentor his employees or train them or be nice to them despite his nature. Now he won't have to. He can still get workers to work for him. Even more cruelly, the minimum wage encourages workers to exploit themselves. They work harder and put up with more abuse from the boss because the minimum wage reduces the alternatives that are available.

Is this how unskilled workers should be treated? How long will so-called progressives get away with pretending they care about the poor when they continue to support measures that encourage their exploitation and continued poverty?