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## Why Stop With A Minimum Wage?

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Minimum wage arguments are usually the stuff of election cycles. Cynical politicians make all sorts of promises in face of economic reality in order to buy votes, and then we all move on. But as the two major parties become ever more similar, the minimum wage argument has taken on an apparent life of its own. With Republicans and Democrats in near-wholesale agreement that the federal government should continue its profligate spending, the regulatory regime, and its bellicose foreign adventures, the minimum wage has become The Last Wedge Issue. And the wedge seems to be dividing people at “the fight for 15.”

Of course, there is no principled reason for a \$15 minimum wage. The same arguments that conclude with a \$15 wage could just as easily conclude with a \$100 wage, or a \$500 wage. That the actual numbers aren't relevant to the argument should be evidence enough that emotion, not logic, drives this movement. And that is just how politicians like it.

But why not apply a bit of logic to this? Just for once.

To begin, we will have to dismiss the idea that the minimum wage is about making the rich “pay their fair share.” Almost [half](#) of all U.S. workers are employed by what the government classifies as small businesses - firms with fewer than 500 employees. And the people who head those businesses? They make an average of about [\\$72,000 per year](#), which is not too much more than the median household earns at [\\$56,000](#). Politicians like us to think of tycoons when we think of business owners. But the truth is that the typical business owner looks a lot more like the guy next door than the Monopoly man.

Another thing to keep clear is that labor is a commodity; it is something that people choose to buy and sell. As such, there is a market value for labor upon which buyers and sellers will agree. Proponents describe the minimum wage as a requirement that employers pay more, and that's one way of looking at it. Another way is that the minimum wage prohibits workers from asking for less. And while more is better than less, less is better than nothing. And nothing is always the unspoken option.

In the end, minimum wage laws are simply a government-set price floor. But if the government can set a price floor, why not also a price ceiling? If the government can simply wave a magic wand and declare that no labor is worth *less* than a certain amount, why not wave the same wand and declare that no labor can be worth *more* than a certain amount? After all, if employers are limited in how much they may pay some workers, that means they will have more money available to pay other workers.

Politicians act as if the laws of economics don't apply to the minimum wage. But if the laws of economics don't apply to wages, then they also shouldn't apply to other parts of the labor market. Let politicians wave their magic wands and require that employers employ anyone who wants a job. Businesses will say, of course, that they cannot afford such things, but businesses say that about the minimum wage too.

Maximum wages and obligatory employment flow from precisely the same logic as the minimum wage, yet there are never serious calls for either of these things. Why not? The answer is relatively straightforward: everyone knows they wouldn't work. But what about the minimum wage?

And here is where the story starts to get a little strange. The short answer is that the minimum wage doesn't really work either. It works for some people, to be sure. Without question, minimum wage workers who keep their jobs are better off after a minimum wage hike. But because labor is a commodity, when the price of labor goes up, employers buy less labor. Here's the rub: Employers don't simply buy less labor. They buy less of the least skilled, least educated, least experienced labor. This means that a minimum wage hike doesn't simply transfer money from employers to workers. It transfers money from the most vulnerable low-income workers to the least vulnerable low-income workers.

So if all of this is true, why do we not see catastrophic results when the minimum wage rises? The answer will surprise almost everyone. It is because almost no one in the U.S. earns the minimum wage. According to the [Bureau of Labor Statistics](#), of the 151 million workers in the U.S., only 2 million earn the minimum wage. And most of those people work in food service and preparation where tips usually push their actual wage rates far above the minimum. If we exclude those workers, we're left with about 1 million out of 151 million workers earning the minimum wage. That's a whopping seven tenths of one-percent of the workforce.

Because the actual number of minimum wage workers is so small, we don't see rampant unemployment when the minimum wage rises. But what we would see, if we looked carefully, would be better skilled, educated, and experienced minimum wage workers doing better at the cost of the most vulnerable minimum wage workers losing their jobs entirely.

What is surprising is how politicians have been able over the years to keep the minimum wage debate alive. But as the need for wedge issues becomes more pressing, the rhetoric will only escalate. Politicians will continue to pretend that legions of Americans are struggling with minimum wage jobs, when the actual number constitutes fewer than one-percent of U.S. workers. Then, to buy votes, they will continue to pretend they can suspend the laws of economics with wage controls that harm the most disadvantaged workers. But none of this makes any more sense than maximum wages or obligatory employment.

But we'll see what happens with those when Washington needs a new wedge.