



Comment on the Commentary of the Day

by

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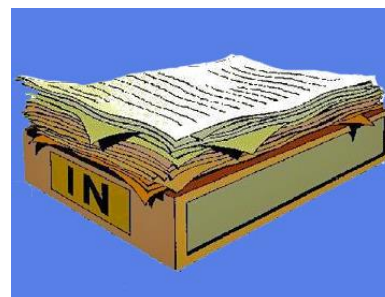
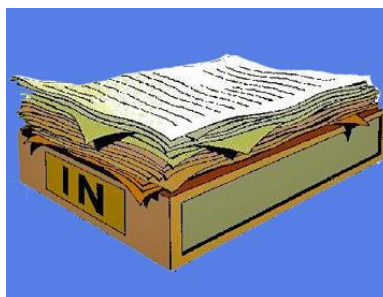
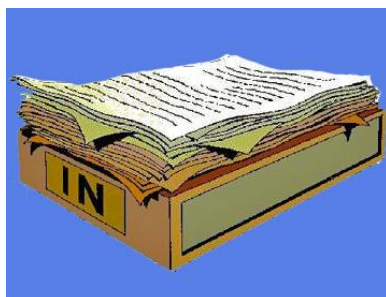
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Disclaimer: The following "Letters to the Editor" were sent to the respective publications on the dates indicated. Some were printed, but many were not. The original articles that are being commented on may or may not be available on the internet, and if they are, they may require registration or subscription to access. Some of the articles being commented on are syndicated, therefore, they may also have appeared in other publications.

30 November 2014

Editor, *New York Sun*

Dear Editor:

Chuck Schumer has a long track record as both an opponent of free trade and as a successful politician. You're therefore surely correct that Mr. Schumer will advise his fellow Democrats to win more votes by warmly embracing protectionist policies ("Smoot Schumer's Next Move," Nov. 30) - policies that, while economic idiocy for society writ large, are gold for the politically potent corporations who are shielded from competition by the tariffs that Mr. Schumer champions.

Of course, Mr. Schumer likely knows that his arguments in support of protectionism are absurd. But he doesn't care: such policies strengthen his power base. As the great Gustave de Molinari observed more than a century ago about the case for protectionism: "These are arguments for show. The most ardent defenders of the protective tariff do not take them seriously.... Protectionism is nothing but political power placed in the service of certain political interests in opposition to the general interest."* Indeed so. And Mr. Schumer is nothing if not a magnificent servant of political interests.

Sincerely,
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and
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* See paragraph II.5 here:
<http://praxeology.net/YG-GM.htm>

A splendid annotated bibliography of Molinari's work is offered by David Hart:
<http://oll.libertyfund.org/pages/gustave-de-molinari-1819-1912-an-annotated-bibliography-by-david-hart>

2 December 2014

Mr. Merrill Matthews
Institute for Policy Innovation

Dear Merrill:

Thanks for weighing in against the minimum wage ("Minimum Wage Increase Is Another Form of Income Redistribution"). This regulation does indeed redistribute income unjustly. But the redistribution is even more pernicious than you describe. The chief redistribution is not from businesses to workers; instead, it's from the least-advantaged workers to workers with greater advantages.

Whatever the hardships suffered by firms ordered to raise workers' pay, most businesses manage to cope. They do so by hiring fewer workers with the lowest skill sets. Some businesses replace their lowest-skilled workers with machines or with a smaller complement of skilled workers. Other businesses - especially those that continue to use large numbers of low-skilled workers - scale back and become more selective in choosing which low-skilled workers to employ. The result is higher wages for skilled workers (including those who invent and build the likes of computers and robots) as well as for the more 'desirable' unskilled workers (such as middle-class teenagers from affluent suburbs with good schools).

In short, minimum-wage legislation enriches more-advantaged workers by rendering the least-advantaged workers unemployable. Such redistribution is not only unjust; it is downright cruel - and made all the more so by the fact that not one in a thousand of its victims understands the true cause of his or her plight.

Sincerely,
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5 December 2014

Mr. Sen. Dave Marsden (D-Burke)
Virginia Senate
Richmond, VA

Dear Dave:

I hear that you're spearheading an effort in the Virginia General Assembly to raise Virginia's minimum wage. Please, please reconsider.

The economic reasons against raising the minimum wage are too many to rehearse in a short letter. So bear with me as I focus on what I believe is the most important of the reasons: raising the minimum wage will harm the very people who I know you seek to help.

Employers of minimum-wage workers almost all operate in highly competitive industries, such as retail food service, cleaning services, and lawn-care services. These industries have at least three characteristics that make a minimum-wage hike not only especially unlikely to result in higher incomes for low-skilled workers, but actually to reduce to zero the incomes

of workers who can least afford to suffer such an economic calamity.

First, profit margins in the industries that use lots of low-skilled workers generally are razor thin. So there's no way that mandated higher labor costs can be absorbed by these employers - that is, there is no way that the costs of a higher minimum wage will be paid for exclusively, or even largely, by employers.

Second, many of the tasks performed by low-skilled workers are manual and rote and, hence, are especially easy to mechanize. Third, many of these tasks are of such low value to consumers that they are readily avoided if the cost of their performance rises significantly. The incidence of such mechanization and avoidance will increase with the costs of employing human workers. For example, some fast-food restaurants are now experimenting with computers that allow customers to place orders and pay without the assistance of cashiers. And just a few weeks ago I stayed at a hotel in Manhattan that gives extra awards points to guests who stay for multiple nights and who agree to forgo daily maid service.

The result of this reality is that a government-enforced hike in the cost of employing low-skilled workers will cast many of the lowest-skilled workers indefinitely into unemployment lines. These workers' pay will fall to \$0. Worse, they will be denied opportunities to gain work experience. The ranks of people lacking skills and experience - and hope - will swell.

I know, Dave, that you mean well. I know also that some 'experts' assure you that studies exist that contradict the economic analysis that I summarize above. But for every empirical study that denies the negative consequences of minimum-wage legislation, I can show you several top-flight that confirm that these negative consequences are real.

So in light of the dueling empirics on this matter, I suggest that common sense combined with human decency counsel against raising the minimum wage. If (as is the case) the empirical evidence drawn from a multi-trillion-dollar, complex, and ever-changing economy doesn't overwhelmingly contradict the fundamental economic proposition that raising employers' cost of hiring low-skilled workers will prompt employers to more strictly economize on the number of such workers they hire, then to nevertheless forcibly increase employers' costs of hiring low-skilled workers is to unjustifiably put in greater peril the most economically vulnerable people in our society.

I would be happy to testify, in Richmond, in much more detail on both the theoretical and empirical case against raising the minimum wage. Such a policy is, despite its fine-sounding name and the excellent intentions of you and many other of its proponents, profoundly if invisibly anti-poor and anti-minority.

Sincerely,

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9 December 2014

Editor, *Washington Examiner*

Dear Editor:

Jason Russell nicely summarizes the much-discussed new study that finds that raising the minimum wage destroys jobs for many low-skilled workers ("New evidence that the minimum wage kills jobs," Dec. 9). Yet even this careful study underestimates the damage that minimum-wage legislation inflicts on the job prospects of the unskilled.

Employers in the U.S. have now had 76 years to adjust to the existence of this regulation that renders unprofitable the hiring of the lowest-skilled workers. One result is that business and labor practices that would have employed legions of low-skilled workers in the absence of a minimum wage were either long ago snuffed out or never created. Empirical studies today, therefore, can at best detect only *changes* in employment at existing firms that use existing business practices - firms and practices that, having evolved in an economic environment with a minimum wage, were never suited to employ as many low-skilled workers as would be employed by businesses that evolved in an environment without a minimum wage.

Raising the existing minimum wage does indeed destroy some jobs. But today's measurements of this job destruction offer no clue to the full magnitude of the vast amount of economic opportunities that the minimum wage denies to the poor and unskilled.

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