



Comment on the Commentary of the Day

by

Donald J. Boudreaux

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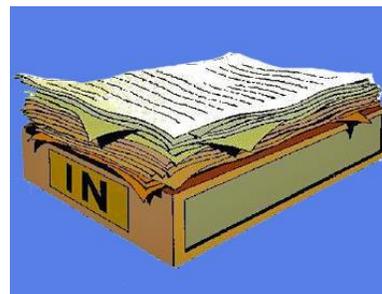
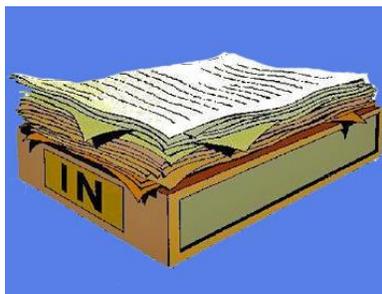
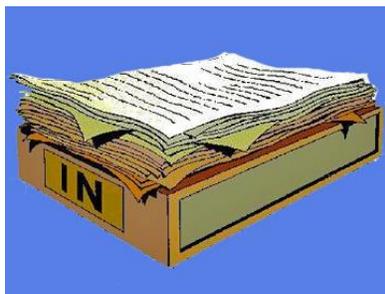
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Disclaimer: The following "Letters to the Editor" were sent to the respective publications on the dates indicated. Some were printed, but many were not. The original articles that are being commented on may or may not be available on the internet, 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.

26 December 2014

Editor, *Washington Post*
1150 15th St., NW
Washington, DC 20071

Dear Editor:

Because no employer can afford to pay any employee more per hour than the value per hour that that employee produces, your headline "Twenty states will raise their minimum wage on Jan. 1" (Dec. 26) would be more informative if it instead read "Twenty states will raise the number of low-skilled workers to be priced out of jobs on Jan. 1."

Sincerely,
Donald J. Boudreaux
Professor of Economics
and
Martha and Nelson Getchell Chair for the Study of Free Market Capitalism at the
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George Mason University
Fairfax, VA 22030

30 December 2014

Editor, *Wall Street Journal*
1211 6th Ave.
New York, NY 10036

Dear Editor:

Labor Department official David Weil justifies his support for raising the minimum wage in part by recounting that "the vast majority of retailers" who he met at a National Retail Federation conference pleaded with him to raise the minimum wage ("Wage-Law Enforcer Favors Proactive Approach," Dec. 30).

Such pleading by some retailers for a higher minimum wage is not as clear a sign as Mr. Weil would have us believe of the wisdom of raising that wage.

For starters, every retailer is free to raise its wages on its own. And because raising its wages when other employers don't allows the wage-raising firm to attract a larger and better pool of employees than it attracts when all firms raise wages, there's something suspicious about some retailers pleading with government to force all employers to raise wages.

I have a good idea what that something is. The retailers who begged Mr. Weil for a higher minimum wage likely have wage scales well above the industry norm; they rely less intensely than do their competitors on minimum-wage workers. Raising the minimum wage, therefore, would impose heavier burdens on their competitors than on themselves. Mr. Weil's retailer friends thus see a hike in the minimum wage as a way for government to artificially improve their profitability by bankrupting, or at least throttling, many of their rivals.

Sincerely,

Donald J. Boudreaux

Professor of Economics

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1 January 2015

Editor, New York Times

620 Eighth Avenue

New York, NY 10018

Dear Editor:

You report that economist Gary Burtless, when asked about the 20 states that today are raising their minimum wages, "contended that new higher wages would 'more than offset' the loss of earnings associated with a drop in employment. The new rules will give workers an extra \$1.6 billion next year" ("States' Minimum Wages Rise, Helping Millions of Workers," Jan. 1).

By implicitly treating minimum-wage workers as if they all are part of some giant, family-like collective, Mr. Burtless blithely brushes aside the chief objection to a hike in the minimum wage. That objection is not the fear that raising the minimum wage will reduce the total amount of pay received by minimum-wage workers as a group. Instead, the objection is precisely that raising the minimum wage will destroy

some low-wage jobs - and destroy especially the jobs of workers who can least afford to be unemployed.

The force of this objection isn't diminished one iota even if it's true that a higher minimum wage will give workers an extra \$1.6, or for that matter \$100.6, billion next year. The reason is that only employed workers get higher pay; workers rendered unemployed by the higher minimum wage not only lose their current pay but also the opportunities to gain valuable on-the-job experience. And no amount extra pay for white teenager Jones from the affluent suburbs in any way "offsets" for black single-mom Smith from the inner city the resulting loss of both pay and work experience.

Sincerely,

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3 January 2015

Mr. or Ms. Workers Friend

Bryn Mawr, PA

Dear Mr. or Ms. Friend:

You claim that my argument against the minimum wage is "wrong" because it ignores the increased, economically stimulative spending caused by a higher minimum wage. You then anticipate and reject one argument against your claim: "Corporations are now stashing away profits and not spending them..... So, raising the [minimum] wage would boost total economy wide spending given that it will not crowd out spending by employers/businesses/corporations."

I disagree.

First, you assume that a higher minimum wage means more total income for workers. This assumption might be correct, but it isn't necessarily so: if raising the minimum wage causes the number of hours of minimum-wage work hired by firms to fall by a greater percentage than is the percentage increase in the minimum wage, then the total income received by minimum-wage workers will fall rather than rise. (Total spending by workers will, then, presumably also fall rather than rise.) A review of the chapter on elasticity in any principles-of-microeconomics textbook will give you deeper insight into this point.

Second, even if hiking the minimum wage does increase the total amount of income employers pay to workers, this fact doesn't mean that business spending will rise in total. Businesses obliged to pay more for labor can reduce spending on other fronts. If, as you say, businesses are stashing away unusually large amounts of cash, rather than investing these funds, there must be a reason. I believe the reason is that businesses are wary of the current intrusive tax and regulatory regime. Raising the minimum wage will only make businesses more wary. Therefore, whatever increased consumer spending results from a higher minimum wage is indeed likely to be offset - perhaps even more than offset - by decreased investment spending by businesses.

Sincerely,

Donald J. Boudreaux

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5 January 2015

Editor, *Washington Post*

1150 15th St., NW

Washington, DC 20071

Dear Editor:

Flaws galore infect Steven Pearlstein's case for raising the minimum wage ("Big strides could come from a small bump in pay," Jan. 5) - that is, his case for government intervention to strip low-skilled workers of the most valuable of the few bargaining chips they have when competing for employment, namely, their ability to offer to work for hourly pay below that of other, more qualified workers who are paid the government-stipulated minimum. Mr. Pearlstein calls government's practice of robbing workers of this bargaining chip "justice"; I call it injustice, because it is theft of an option that many of the most disadvantaged workers must exercise if they are to find jobs.

Of course, Mr. Pearlstein wants your readers think that raising the minimum wage has little effect on such workers' ability to find jobs. When he asks rhetorically "why do countless studies show that the impact on low-wage employment ranges from zero to small?" he gives the misleading impression that economists have reached a consensus conclusion that raising the minimum wage has little or no effect on the employment prospects of low-skilled workers. But contrary to Mr. Pearlstein's suggestion, there are

also “countless studies” that show results quite the opposite of the studies to which Mr. Pearlstein alludes.

Just last month, for example, University of California at San Diego economists Jeffrey Clemens and Michael Wither released a detailed empirical study that led them to conclude that “minimum wage increases had significant, negative effects on the employment and income growth of targeted workers” and that “minimum wage increases significantly reduced the likelihood that low-skilled workers rose to what we characterize as lower middle class earnings.”* Many other well-regarded studies reach similar conclusions.

Mr. Pearlstein does your readers - and low-skilled workers - an injustice to suggest otherwise.

Sincerely,
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and
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* “The Minimum Wage and the Great Recession: Evidence of Effects on the Employment and Income Trajectories of Low-Skilled Workers” (December 2014): <http://www.nber.org/papers/w20724>
(quotations come from page 1 and page 36)

