



## Comment on the Commentary of the Day

by

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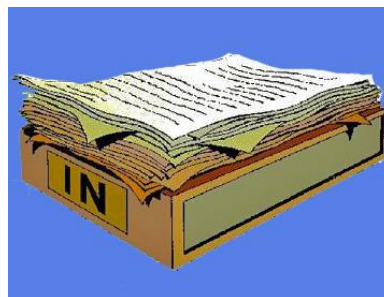
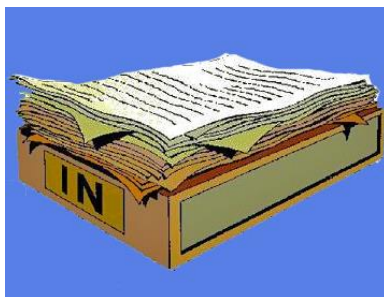
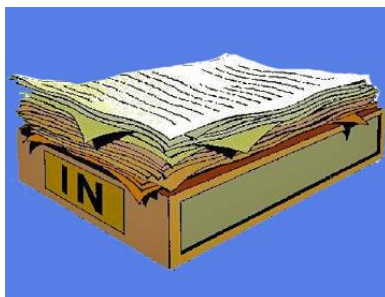
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**Disclaimer: The following "Letters to the Editor" were sent to the respective publications on the dates indicated. Some were printed, but many were not. The original articles that are being commented on may or may not be available on the internet,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

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30 April 2015

Dear Nick:

Commenting on this blog post on the minimum wage,\* you probe my strong doubts that the market for low-skilled workers is monopsonized. You ask me "Is this a theoretical claim, or an empirical one? What do you think of the more common argument that low wage employers have market power not because they're monopsonists but because low wage workers can't easily search for other jobs because they're too poor to live off their savings?"

My doubts are empirical: it strikes me as too much of a stretch to suppose that employers of low-skilled workers in the U.S. today have such power in the labor market to justify minimum-wage legislation. Much can be said, but I'll keep my remarks brief.

First, Bureau of Labor Statistics data show that nearly half of all workers who earn hourly wages no higher than the federal minimum are under the age of 25, and more than one-fifth of such workers are still in their teens. Moreover, (according to the BLS) "never-married workers, who tend to be young, were more likely (7 percent) than married workers (2 percent) to earn the federal minimum wage or less."\*\* In other words, not only is the typical minimum-wage worker unlikely to have a family to support, he or she is likely also to be supported in part, or potentially, *by* a family. Such workers do not fit the profile of people so desperate for their next paychecks that they cannot afford to search for better jobs if they are being exploited in their current ones.

Second, *if* typical low-wage workers were indeed so desperately poor as your argument suggests, then minimum-wage legislation is an especially dangerous and risky tool to wield on their behalf. Unless and until the data overwhelmingly, clearly, and with little dispute show that, contrary to standard theoretical predictions, raising the minimum wage does not price some low-wage workers out of their jobs, to use such legislation is to recklessly gamble with the lives of the people you intend to help. Because, as I'm sure you know, the data are nowhere close to 'proving' that minimum-wage legislation does not reduce low-wage workers' employment opportunities, low-wage workers' alleged economic desperation is an especially compelling reason to *avoid*, rather than to enact, higher minimum wages.

Sincerely,

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and  
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\* [http://econlog.econlib.org/archives/2015/04/boudreaux\\_on\\_th.html](http://econlog.econlib.org/archives/2015/04/boudreaux_on_th.html)

\*\* Characteristics of Minimum Wage Workers, 2014 (Washington, DC: Bureau of Labor  
Statistics), April 2015:  
<http://www.bls.gov/opub/reports/cps/characteristics-of-minimum-wage-workers-2014.pdf>

1 May 2015

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

Dear Editor:

Asserting that it's "pure scandal" that women, on average, are paid less than men, Pope Francis demands equal-pay-for-equal-work legislation ("Pope Francis: It's 'pure scandal' that women earn less than men for the same work," April 30).

What is really pure scandal is that this man arrogantly supposes that his premier perch on the moral high ground gives him leave to pronounce on matters about which he clearly knows nothing. Has the Pope reviewed the empirical evidence?\* Apparently not, for he'd otherwise know that in the U.S., at least, the alleged pay gap almost completely disappears after adjusting for economically relevant factors such as work experience, education, and types of jobs. (Is the Pope scandalized by the job-hazard gap - that is, by the fact that, for example, in the U.S. during the ten-year period ending in 2013, 93 percent of all workplace fatalities were suffered by men?\*\*) )

And has the Pope familiarized himself with the large body of research that warns of the great risks of negative unintended consequences from well-meaning legislation? Because the forces of competition already oblige firms in market economies to pay women workers according to the value of their outputs, legislation requiring equal monetary pay for "equal work" is far more likely to discourage the hiring of women, or to make women's jobs more dangerous or grueling, than it is to result in higher pay for women.

The Pope should stick to studying the mysteries of theology, for the realities of the

economy seem to be beyond his grasp.

Sincerely,  
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\* [http://thebestpageintheuniverse.net/c.cgi?u=hire\\_women](http://thebestpageintheuniverse.net/c.cgi?u=hire_women)

\*\* Compiled by me from Bureau of Labor Statistics data available here:  
<http://www.bls.gov/iif/oshcfoi1.htm>

2 May 2015

Rep. Don Beyer (D-VA)  
Capitol Hill  
Washington, DC

Dear Mr. Beyer:

You're one of nearly 200 Congressional co-sponsors of the Raise the Wage Act. This legislation would raise the federal minimum wage from \$7.25 per hour to \$12.00 per hour - an increase of 66 percent.

Please reconsider.

You own a Subaru dealership here in northern Virginia. Among the models that you sell is the Impreza, Subaru's lowest-priced offering. What do you think would happen to sales of new Imprezas if the government, in an attempt to raise the incomes of sellers of low-end automobiles, enacts legislation forcing you and other car dealers to sell no new vehicle at a price of less than \$30,204 - a price 66 percent higher than the current price of a new Impreza? Do you believe that such a mandated price hike would not reduce the quantity of Imprezas demanded by car buyers? Do you suppose that nearly all car buyers would respond to this forced price increase by simply forking over the extra cash for low-end models rather than switching to other transportation options, such as buying used cars, repairing and holding on longer to their current cars, or - given that they must pay at least \$30,204 for a new car - opt to buy new Outbacks and other more luxurious models rather than the modest Impreza?

If you cannot honestly tell your constituents in the 8th district that you believe that a

government-enforced hike in the price of new economy cars (especially a price hike of 66 percent) will not discourage the purchase of such cars - that is, if you understand that such a mandated price hike will cause many new Imprezas and other economy cars to go unsold - you should withdraw your support for a higher minimum wage. Just as a government-imposed minimum car price would result in fewer low-end cars being sold, raising the minimum wage will result in fewer low-skilled workers being employed. Please, please do not subject the most vulnerable workers in the economy to such an awful fate.

Sincerely,  
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4 May 2015

Sen. Bernie Sanders (I-VT)  
Capitol Hill  
Washington, DC

Dear Sen. Sanders:

You want to raise the minimum wage *and* prevent what you allege to be “corporately backed” freer trade. Your positions are inconsistent with each other.

Presumably you believe that higher minimum wages (contrary to the prediction of basic economic reasoning) cause no, or only very few, low-skilled workers to lose their jobs. That is, you believe that employers respond to higher minimum wages in ways that do not include further economizing on the amounts of low-skilled labor they employ. Put differently, in your analysis of the minimum wage, domestic employment isn't at all sensitive to wage rates.

Yet you oppose the Trans-Pacific Trade Agreement because you are convinced that the freer trade this agreement spawns will “allow corporations to outsource even more jobs overseas.”\* So when the topic at hand is international trade, you believe that domestic employment *is* sensitive to wage rates.

Can you explain why firms' either cannot or will not substitute out of higher-cost labor (say, by using labor-saving machinery) when the minimum wage rises, but are both eager and able to substitute out of higher-cost labor when tariffs fall?

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\* <http://www.sanders.senate.gov/download/the-trans-pacific-trade-tpp-agreement-must-be-defeated?inline=file>

9 May 2015

Mr. Robert Reich

Dear Mr. Reich:

In one of your recent videos endorsing a 100-plus percent (!) hike in the national minimum wage,\* you repeat the popular-in-Progressive-circles assertion that (quoting you) “we subsidize low wage employers” through government welfare programs such as food stamps, Medicaid, and housing assistance.

Basic economic reasoning reveals your argument to be backwards. Welfare payments of the sort that you mention make work a relatively less attractive option for welfare recipients and, thus, reduce the labor supply. One consequence is that wages paid by employers to their low-skilled workers are *raised* (and not, contrary to your mistaken suggestion, lowered). Thus, far from being subsidized by most government welfare programs, Wal-Mart, McDonald's, and other employers of many low-wage workers are harmed by them.

Don't believe me? Here's Arindrajit Dube, one of the most prominent economists today who favors raising the minimum wage: “[M]illions tested public assistance programs are not tied to work, and we should not expect them to lower wages. Let's take food stamps, which are available to eligible families whether or not a family member works or not. Indeed, when people are not working, they are more likely to be eligible for food stamps since their family incomes will be lower. Therefore, SNAP is likely to raise, and not lower a worker's reservation wages – the fallback position if she loses her job. This will tend to contract labor supply (or improve a worker's bargaining position), putting an upward pressure on the wage.”\*\*

Your failure to grasp even the most fundamental of economic principles makes your arguments for a higher minimum wage especially dubious.

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\* <https://www.youtube.com/watch?v=GOqtl53V3Jl> (see in particular the part starting around the 1:10 mark)

\*\* <http://arindube.com/2015/04/19/public-assistance-private-subsidies-and-low-wage-jobs/>

