



# THE MINIMUM WAGE LAW IS WRONG

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In the bad old days of outright, in-your-face racism, the bigots favored the minimum wage law as a means of destroying the economic prospects of black people. For example labor unions in the bad old apartheid South Africa explicitly favored such legislation in order to exacerbate the unemployment rate of this demographic. Blacks, in their view, were getting too "uppity" and had to be taken down a notch or two. Or three. They were daring to compete with more skilled white labor; the best way to nip this challenge in the bud was to price them out of the market. Raise the wages of black labor by government fiat so high that employers would no longer look upon them as a bargain.

Nor was our own country exempt from this sort of evil. Former president John F. Kennedy, when he was a senator from Massachusetts, favored the minimum wage law on the ground that cheap African-American labor in the former confederate states was too competitive with more highly-skilled New England workers. He thought, correctly, that the best way to deal with this challenge was, again, to end this through minimum wage legislation. He [stated](#): "Having on the market a rather large source of cheap labor depresses wages outside that group too – the wages of the white worker who has to compete. And when an employer can substitute a colored worker at a lower wage – and there are ... these hundreds of thousands looking for decent work – it affects the whole wage structure of an area..."

Give the devil his due, these vicious people were good economists. They faced a challenge: the competition of low-skilled black workers. They knew exactly how to obviate this opposition. Pass laws that seemingly helped them, but they full well knew had the diametric opposite effect.

Nowadays, matters are reversed. The people who now favor this legislation are filled with the milk of human kindness, at least for the most part. But their understanding of economics is abysmal. And this does not only describe Democrats such as AOC or Bernie or Schumer or Pelosi or Biden who are staunch supporters of this malicious legislation. It even includes Republicans such as Utah Senator Mitt Romney and Arkansas Senator Tom Cotton who have just [introduced a bill](#) to increase the national minimum wage to \$10 an hour over the next four years, in gradual steps. One would have thought that at least members of the GOP would be a bit sophisticated about economics, but in the event this just ain't so.

The flaws in this enactment can best be explained starting with an analogy from the animal world. The deer is a very weak animal. This species would have long ago gone extinct except for its speed. In similar manner, the skunk and the porcupine would be greatly endangered, but for their saving graces,

smell and sharp quills (How do porcupines make love? Carefully).

Now put yourself in the place of a young black kid who can't find a job. (Before the advent of the minimum wage law in 1938 the unemployment rate of blacks and whites, youngsters and middle-aged folk, was about the same; at present, the rate of joblessness for African American male teens is quadruple that of white males aged 25-55). Young black teens have a poor reputation as workers, at least in the minds of many employers. What is their analogous secret weapon? The ability to temporarily work for a very low wage – or none at all.

Under free enterprise, this young black kid could march up to an employer, look him straight in the eye and say: "I know you don't think much of me as a potential employee. But you're wrong. Hiring me will be one of the best commercial decisions you've ever made. Just give me a chance. In order to take the risk off your hands, let me tell you what I'm gonna do. I'll work for you for \$5 per hour for a week. Then, if I pass this trial period in your estimation, you can raise my salary. Heck, I'll do it for \$2 per hour, can't say better than that, can I? No, wait, I'll go myself even one better: I'll work for you, real hard, for zero, zip, nada, for free. Then, after a week, when you see what a treasure I am, you can adjust my wage accordingly."

It is hard to see why this would not be a very successful statement in terms of (eventually) getting on the payroll. However, if this young enterprising person said anything of the sort, he would be breaking the law. He might not be put in prison for doing so, since, probably, an economically illiterate judge would view him as a victim; but, still, he would be in violation of the minimum wage law. In contrast, if the owner of the firm accepted this offer, woe betide him. He would be tossed into the clink, and the key to the prison would be thrown away (This is an exaggeration, but only a slight one).

The point is, the minimum wage law steals from the worker who is discriminated against his one "secret weapon": the ability to impress the business firm with this type of offer. That's the Horatio Alger story.

An analysis of basic supply and demand analysis as taught in economics 101 will demonstrate that when you impose a floor under wages, this does not necessarily raise them. Rather supply is now greater than demand, and the difference is a surplus; in the labor market this is called unemployment. No, a floor under wages does not boost them; rather it constitutes a barrier over which the job candidate must jump in order to obtain employment in the first place. If mere legislative fiat could really boost compensation, why stop at \$10, or \$15? Why not help the needy with a wage, or, oh, \$100 per

hour, or even \$1,000? Then, we could stop all foreign aid, and just tell needy countries to institute, and/or raise their minimum wage levels.

Sophisticated advocates of this pernicious legislation will point to "monopsony" or "oligopsony" (one, or just a few purchasers of labor, in this case). True, according to neoclassical theory, there is in these cases a window in wages, such that they can only be raised so high before unemployment once again rears its ugly head. Even if this were true (it is not, but that is another story) it is simply inapplicable to relatively unskilled workers. If it applies at all, it is to workers with such specialized skills that only one or a very few firms can hire them. We are now talking about specialized engineers, computer nerds, physicists, etc. They earn multiples of the minimum wage levels being contemplated. Those who push brooms or ask if you "want fries with that?" have literally hundreds of thousands of potential employers, not just one or a few.

The minimum wage should not be raised. It should not stay at its present \$7.25 level. It should not be lowered. Rather, it should be abolished, and those responsible for its existence be deemed criminals, since they are responsible for the permanent employment of people with productivity levels lower than that established by law. Suppose someone's productivity is \$3 per hour. Anyone hiring him at \$7.25 will lose \$4.25 hourly. He cannot be profitably employed. Case closed.

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The [\*featured image\*](#) shows "Work," by Ford Madox Brown, painted in 1873.

