

Minimum Wage

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The argument for an increase in the minimum wage ought not to rely on or focus on economics. The political, ethical, and social reasons for higher minimum wages make the case better, more clearly and more definitively.

Economists have accumulated a vast literature on the minimum wage. That literature is divided into two opposing schools. The first, comprised of paid spokespersons for business and their various allies in politics, media and the academy, strives to establish the following sort of argument. Raising minimum wages will reduce the number of jobs available to those earning the pre-rise minimum wage. This is because of the "law" of supply and demand which holds that demand for anything fall as its price rises. Raise the price of labor power, less will be demanded. In short, raising the minimum wage will push more workers out of jobs into unemployment. It is thus bad for just those in whose name the minimum wage is to be raised.

Such arguments provoked liberal, labor, and radical economists to seek to prove the contrary point. They questioned the theoretical assumptions about supply and demand as it pertains to wage determination. They also offered empirical analyses to show countless cases where wages rose and no unemployment followed, etc.

Excluding unrepentant ideologues, most economists now acknowledge that the end product of the vast literature on both sides is a kind of stalemate. That is, it is not at all clear whether raising the minimum wage would help or hurt employment numbers. There is no one-to-one correlation, no clear-cut cause-and-effect relationship, between raising a wage, on the one hand, and increasing versus decreasing the number of workers employed at the raised wage, on the other.

Thus, to make arguments for raising the minimum wage on the grounds that it will necessarily have a determinate effect on employment is unsustainable and therefore ill advised. The simple truth resolves into these two points. (1) Raising the minimum wage always occurs together with countless other changes occurring in any economy. All those changes influence employment so that the effect of raising the minimum wage cannot be usefully isolated to be known. (2) Raising the minimum wage causes an immense number of other changes across an economy in the present and into the future...and all those changes will in turn exert their effects on employment. What the net effect will be is unknowable in advance. Making definitive claims will always invite and get refutations leading into endless debates that few will follow or be persuaded by. Not the way to go!

Given that we don't know how raising the minimum wage will play out on employment in advance, that the employment outcome will vary from case to case, the decision about raising the minimum wage ought to be made on other, non-economic grounds (political and ethical and social) where the positive effects of doing so can be more confidently described, predicted, and/or advocated.

(<http://rdwolff.com/content/minimum-wage>)