

Editorial

Minimum wage wrong

By N. STEPHAN KINSELLA

Columnist

Well, we can all relax, for the government has discovered a "magic wand" — a way to make everything better for everyone everywhere in America. Actually, this "magic wand" was discovered by our government in 1938, and every few years it waves this magic wand for a magic solution to our economic woes. The "magic wand" is the minimum wage.

The House Labor and Education Committee has submitted legislation to the floor to raise the minimum wage from the current \$3.35 per hour to \$5.05 per hour over the next four years. This is amazing, really, since Reagan administration economists believe that raising the minimum wage to only \$4.65 per hour would cause the loss of nearly a **million jobs**.

Why does the minimum wage cause unemployment? One reason is that marginal producers — those barely surviving — will be forced out of existence by the increased wages they must pay workers. Obviously, this causes unemployment. And the producers and companies that survive must do so by continuing to make a profit. When the minimum wage goes up, a company's costs go up — which makes its prices rise — which makes its sales fall — which causes it to lay off employees.

The only time a minimum wage law can actually do any good is when a group of workers is receiving a wage that is actually below its market worth. But, as history has shown, unionization can — in almost every situation of this type — remedy this problem. So the only time that a minimum wage can do any good ... it is not necessary.

And what about the worker who will inevitably become unemployed as a result of a (new and higher) minimum wage? Unless we are willing to let him starve, we will provide him with some form of unemployment compensation, or relief. Now, if this compensation is too low — say, the equivalent of \$2 per hour — then the new, higher minimum wage law prevents him from earning the \$3.35 he was earning before. He is also deprived of the self-respect he had earlier when he worked for his money.

But we cannot solve this problem by providing a higher amount of relief, closer to the new minimum wage — say, the equivalent of \$4.50 per hour — because then men will have less incentive to work at the minimum wage, since they will merely be working for the **difference** of 55 cents.

So it is obvious that most of these unemployed will be worse off if the minimum wage is raised. And let us not forget the increase in taxes necessary for the extra relief payments.

In fact, if raising the minimum wage is good (indeed, if even having a minimum wage is good), then why should we raise it only to \$5.05 per hour? After all, if we can so simply create wealth and prosperity through government legislation, wouldn't America be better off if everyone made, say, \$30 per hour?

Moreover, why restrict the minimum wage to the employed? Obviously, the most desirable situation for the "common-good" in America is for everyone to be not only well-fed, but rich, too. So why can't we simply guarantee everyone in the country \$30 per hour, based on a 40-hour work week?

It is obvious that this would not and cannot work because **government legislation cannot create wealth**. In fact, it is free enterprise (capitalism) and only free enterprise which allows the creation of wealth. And free enterprise works best when government gets the hell out of the way.

In other words, the liberals (who are so vigorously behind minimum wage legislation) are blind to the fact that "you can't have your cake and eat it, too." What the liberals (and other friends of socialism and egalitarianism) fail to realize is that, as economist Henry Hazlitt said, "You cannot make a man worth a given amount by making it illegal for anyone to offer him anything less."

Most people do not realize — or conveniently forget — that **wage is, in fact, a price**. Wages is the price of a product: labor's services. If wages were commonly known only as "the price of labor," then more people would realize the harmful results of what minimum wage really is — price control. And the disastrous consequences of price controls are already well known.

Really, though, there is only one valid reason with which to argue against the minimum wage: it is wrong because it clearly and severely violates individual rights. Whose? — the employer's and employee's. How? Their right to enter into **voluntary** contracts is abrogated, all for the sake of some non-definable, non-existent "common good." And countless hideously evil campaigns and acts have been justified with this same "common good" — including the Crusades, Hitler's holocaust and, worst of all, the horrors of socialism.

If I offer you the admittedly ridiculous salary of a dollar per year to work for me — full-time — I have not violated your rights. I can only have aided you, by offering you more choices than you had before I made the offer. You may accept, if you feel it is in your self-interest, or refuse, otherwise. And whether you accept or not, you have not violated my rights, either.

Since no rights have been violated — and since "victimless crime" is a contradiction — the minimum wage law prevents no crime. Yet it prevents me from making the offer, and prevents you from even making a choice. Aren't we lucky that Big Brother is watching over us?