Minimum Wage Guards Against Greed

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In the context of the current debate over raising or even retaining the federally mandated minimum wage, the focus has been whether it is an effective anti-poverty measure.

In Pennsylvania, opponents argue that an increase in the state minimum wage would also argue that increases would introduce exploitable labor into the labor marketplace. In point of fact, however, whether the minimum wage is an optimal anti-poverty measure should not be the question for debate. The question for debate should center around the real purposes of the minimum wage. An examination of these real purposes demonstrates why opposition based on market intrusiveness has no merit.

The minimum-wage law was designed to address exploitation of workers in businesses and industries where they had almost no bargaining power and subject to exploitation. It was also designed to prevent employers and industry elites from maintaining their profits and market positions, or even their businesses based upon these exploitative practices.

Thus, the minimum-wage law was designed to create in the market-place, not in order to provide social guarantees a "living wage," an income sufficient to raise the vast majority of the poor above the poverty line, but to remedy imperfections in the labor market. The real question for debate then is whether the minimum wage still promotes these purposes.

The argument between proponents and opponents has followed this pattern. Given the undisputed fact that the minimum wage has declined in terms of purchasing power as well as in relation to average wages, proponents urge that, because the minimum wage guarantees a "living wage," an increase is necessary in order to restore a full measure of dignity to all minimum-wage workers.

Opponents respond by offering similarly contested evidence that the vast majority of the poor do not earn the minimum wage, while the vast majority of minimum-wage workers are not poor. Since lack of employment rather than low wages is alleged as the primary cause of poverty, opponents argue that an anti-poverty measure to raise the statutory minimum wage is inefficiently over-inclusive and under inclusive. It aids more non-poor workers than poor ones and misses most of those who are poor. Moreover, because virtually all economists agree that raising the minimum wage will lead to at least some increased unemployment among low-paid, teen-age workers, opponents say that the costs may outweigh the benefits.

What has tended to disappear from view is that the original purpose of the minimum wage was not primarily to alleviate poverty, but rather to safeguard the working poor against greed.

New Deal, "chiseling" replaced "sweating," then as now women and children! Among the victims were almost exclusively women and children. Although in the rhetoric of the time, the "chiseler" was the one who dragged down our business standards and make it harder for the over-whelming majority of our American businesses to compete on a decent basis. These are the men for whom we need a Fair Labor Standards Act - let me call it a Fair Labor Competition Act.

The other principal function of the minimum-wage law is in increasing productivity in the economy as a whole by driving "pariticular" firms out of business and concentrating production in the most competent firms. Thus, as stated in Congress in 1938:

"It is the chiseler, the corner-cutter and the downright unscrupulous who need our attention. It is this small percentage of employers who drag down our business standards and make it harder for the overwhelming majority of our American businesses to compete on a decent basis. These are the men for whom we need a Fair Labor Standards Act - let me call it a Fair Labor Competition Act.

By requiring the "chiseler" to pay a minimum wage to his workers, Congress was able to protect property owners from unfair competition and at the same time to ensure that private wage costs reflect total social costs of labor equality across firms and industries. Thus, the chiseler would not be able to subsidize his insufficiencies by grossly depressing wages to the detriment of his employees, his competitors and society in general, which would have to make up for his exploitative practices.