

2. SHOW ME THE MONEY

Minimum wage has been controversial since it was first proposed to Congress in 1935, as part of the Fair Labor Standards Act (FLSA) that was ultimately passed in 1938. Precipitated by the Great Depression, the FLSA banned child labor, set the minimum wage at 25¢ per hour, and limited the work week to 44 hours. The federal minimum wage did prevent worker impoverishment for many years, but inflation has eroded its effect over the past four decades.

Debate over minimum wage is never ending. Almost eighty years after passage of the FLSA, politicians, economists, and social justice advocates still argue about whether the U.S. should continue to have a federal minimum wage. Who does it help and who does it hurt? If kept, what is the correct level? Should it apply to all workers? Does raising the current level increase unemployment, drive businesses away, or hurt the very poor it is aimed at helping? Or, will a higher minimum wage raise the standard of living and increase buying power for low wage earners?

In 1963, Martin Luther King fought to get the wage raised to \$2 per hour so that every worker could escape poverty. That wage would translate to \$15 today when adjusted for inflation; however, today's (4 September 2014) federal minimum hourly wage is set at \$7.25 per hour, yielding an annual income of \$15,800. With economic ups and downs, and with each change of administration, the question of raising the minimum wage comes up. Indeed, the question of whether the U.S. should have a minimum wage at all resurfaces. Many states, and even some cities, have established minimum wages higher than the federal level.

Some economists and politicians argue that raising the minimum wage does a disservice to those it tries to help. They claim that businesses will resist a higher minimum wage by laying off workers, moving their businesses offshore, or just closing down. Some sympathetic to the plight of the poor claim that society should deal with poverty in a different way, such as through private charities. Most opponents of a minimum wage claim that workers are free to seek better paying jobs or to work harder to become more valuable to their employers. They argue that the market should decide the value of any sort of work to employers, just as it determines the value of those employers' goods and services. They claim that employers simply will not hire workers who are not worth the prevailing minimum wage, thus denying these potential workers an opportunity to start a work career. These critics point to teenagers as a perfect example of potential workers whom employers may feel are simply not worth the set wage.

Economists, politicians and others who favor raising the minimum wage consider failure to do so an exploitation of the poor and a moral wrong. They assert that in a perfect market economy, employers might pay higher wages to get and retain good employees. Since the market is not perfect, employees must be protected by minimum wage to prevent employers from paying artificially low wages that unjustly exploit the poor. Advocates of a decent living minimum wage offer evidence that raising the minimum wage adds more consumers to the economy and does not substantively increase

unemployment. Minimum wage advocates point to companies like Costco that demonstrate that paying employees well results in loyal, productive employees.

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