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The Case Against A \$15 Minimum Wage

Would you be in favor of a minimum wage increase? If so, would you raise it to \$10, \$15, \$20/hr, or even more? The “Fight for \$15” movement is an American political movement advocating for a nationwide \$15/hr minimum wage and the overall increase of the earnings of poor people. Most Democrats believe in this and most Republicans and Libertarians oppose it. Why is that? In fact, as found from a survey conducted by the Employment Policies Institute, 72% of 166 economists oppose a \$15/hr minimum wage (Phelan). So, the question I will try to answer by the end of this essay is “Does a higher minimum wage end up hurting poor and uneducated people more than it helps?”

To start off, I would like to offer a brief history on the minimum wage in America. A profoundly racist one at that. In 1966, Milton Friedman wrote an op-ed for Newsweek entitled “Minimum Wage Rates.” In it, he argued “that the minimum-wage law is the most anti-Negro law on our statute books.” Its tumultuous story begins in 1927 on Long Island. Here, a contractor from Alabama won a bid to build a new Veteran’s Bureau hospital. To build the hospital, the contractor hired a crew of black construction workers. Appalled that blacks from the South were working on a federal project in his district, Representative Robert Bacon of Long Island submitted H.R. 17069. This bill was the precursor to the legislation known as the Davis-Bacon Act that was eventually passed into law. The act mandated a minimum wage to any workers on

construction projects part of a contract with the U.S. or District of Columbia governments that exceeded \$2,000 (Erase the State). This law was an early precursor to the first minimum wage law which was passed in 1938. Economist Thomas Sowell has written that in 1925, a minimum wage law was passed in the Canadian province of British Columbia, with the intent and effect of pricing Japanese immigrants out of jobs in the lumbering industry (Erase the State). A minimum wage in its earliest forms was meant to price-out non-white workers from entering the workforce. This is a stark contrast to what proponents of the current \$15/hr minimum wage aim to solve.

The Foundation for Economic Education has said that “minimum wage hikes reduce the earnings of low-paid workers.” They back this up with an excerpt from a published paper from Neumark and Wascher saying, “evidence suggests that higher minimum wages tend, on average, to reduce the economic well-being of affected workers.” (Phelan) Another negative effect is seen from early 2018, when Walmart announced a wage hike for over 1 million of its employees. Later that day, Walmart also announced that I had plans to close 63 of their warehouses, laying off thousands in the process. Large mega-corporations like Amazon and Walmart have found very easy ways to innovate around increased wages. These methods include fleets of robot package movers in large warehouses to self-checkout lines. Companies only do this because they view it is cheaper to maintain unpaid robots than it is to pay many workers high wages in addition to other benefits like health insurance and paid leave. I cannot say blame them either. Just the idea of the nearly autonomous Amazon Go store should offend workers and labor unions more than the federal minimum wage. Most small businesses do not have the ability to seamlessly adapt to a higher minimum wage. They must result to either cutting hours for its employees or firing staff outright. I cannot imagine how Fight For \$15 would argue that a

worker's economic well-being has increased now that the worker has now lost their job.

Businesses may also try to raise process to combat the higher cost of labor, though this in most cases does not work because less people will buy a more expensive good, thus lowering the company's revenue. These same effects are also found in a paper by West in The Journal of Human Resources titled, "Effects of the Minimum Wage on Employment Dynamics." West uses administrative data sets in order to prove "the minimum wage reduces employment." (West) This research also concludes that as time goes on the effects of the minimum wage are increased. This is because the increased cost to train and employ workers in the long run dissuades would-be entrepreneurs from opening a business.

Why do so many organizations and politicians decide that \$15 is the best hourly rate? Using their logic, if their goal were to truly raise the economic well-being of poor people, why not aim for a \$100 minimum wage? If a \$15 is better than \$7.25, then why wouldn't \$100 be even better? What I believe a wage to be is a monetary evaluation of a worker's productivity level. What I mean by that is a worker should be payed by how much they produce, not what some bureaucrats or politicians set it at. To relate that to the job I currently have, making popcorn and cleaning empty theaters for my local Regal Cinema is not worth \$15/hr, rather it is worth \$8.75/hr. If I thought that my labor was not worth what I am being payed, I would work somewhere else. The idea that businesses exploit their workers for their labor is quite possibly the dumbest argument I have heard for a higher minimum wage. I also do not think a minimum wage should equal what some activists call a living wage. Minimum wage should be an easy entrance point to the workforce for a teenager or newly immigrated citizen with limited job skills or work experience. A sort of bottom rung on the ladder of economic success.

Many European countries have not had federal minimum wages for decades and alternatively rely on unions to set a wage for a specific industry. For example, the union for food service sets the minimum wage for all food service workers (Boyte-White). Though I don't see this as a perfect alternative, I do see it as better than the current system. Some industries in the US follow this model currently. Just look at the union for commercial airliner pilots, known as the ALPA. But not all unions have resulted in positive outcomes for the consumer. An example of that is the extreme shortage of medical professionals to deal with coronavirus outbreaks across the country. The American Medical Association is one of the main drivers of this because the AMA artificially limits the number of physicians in order to increase their salary by increasing demand (Cauchon).

What I have said above are the reasons why raising the minimum wage in order to benefit the economic well-being for the poor is not only a misguided attempt at social justice, but counterproductive to those who are meant to benefit. The minimum wage was created to keep the growing black and immigrant populations poor, so why would it now be used for the opposite? A sort of oxymoron. Why must some of the poor get poorer so that others get less? If you think that your voice can make an impact on your lawmakers, get ahold of them and tell them what you think the minimum wage should be.

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