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THE MINIMUM WAGE: A BARRIER TO EMPLOYMENT

Emmanuel Asprodites
Loyola University New Orleans, USA

Walter E. Block *
Harold E. Wirth Eminent Scholar Endowed Chair and Professor of Economics
Loyola University New Orleans, USA
* corresponding author, E-mail: wblock@loyno.edu

Abstract

It is the consensus of economists that the minimum wage law creates unemployment for all would be workers with productivity levels below that mandated by this enactment. There is some controversy amongst dismal science practitioners, however. As for the general public, the very opposite is an article of faith; otherwise, we would hardly have this law passed, initially, and its level continuously raised.

The present paper makes the case that this legislation boomerangs. The goal of most of its supporters is to alleviate poverty by raising compensation, particularly for those at the bottom of the economic pyramid. And this law can do so, but only for the immediate run, until the market incorporates these changes. Then, all those with productivity levels below that amount mandated by law will be consigned to unemployment.

Key words: Minimum wage; unemployment; unskilled workers

I. Introduction

> "Minimum wage laws are almost always discussed politically in terms of the benefits they confer on workers receiving those wages. Unfortunately, the real minimum wage is always zero, regardless of the laws, and that is the wage that many workers receive in the wake of the creation or escalation of a government-mandated minimum wage, because they either lose their jobs or fail to find jobs when they enter the labor force." (Sowell, 2000)

The economist and social theorist, Thomas Sowell, quickly dismisses the view of many progressives[1] who argue that the economic benefits of a high minimum wage will help rather than hurt the poor. The present essay argues that minimum wage increases serve as a barrier to employment, particularly among low-skilled, young and entry-level workers, by creating conditions that guarantee unemployment. Through a review of economic theory, studying labor markets, and industry-specific evidence, this paper will demonstrate how government imposed minimum wages result in job losses and reduced hiring. The paper will also address the vulnerability of specific demographic groups that are most impacted by these trends, reinforcing the fact that the minimum wage worsens employment challenges rather than alleviating them. Despite the well-intentioned[2] acts to assist the poor, it is the inner-city and often minority youth who face the consequences of minimum wage laws that will deprive them of entry level jobs and experience and too often provide a wage of zero.

[1] Self-styled. They are actually regressive, harking back to an era before the advent of economics as a science.
[2] Supposedly. This may well be true of the average low information voter, and economic illiterates such as Senator Bernie Sanders. But it is difficult to credit good intentions to those with PhDs in economics who support this pernicious legislation. See on this below.

It is not surprising that some social scientists as well as economists still believe that implementing and then raising the minimum wage will help the economic well-being of those workers at the bottom of the economic ladder.

Even the prominent Nobel Prize winning economist Paul Krugman (2015) has stated: "There's just no evidence that raising the minimum wage costs jobs, at least when the starting point is as low as it is in modern America."[3] One would initially believe that providing a greater living wage to entry-level workers would necessarily reduce poverty and provide greater wealth for all workers. However, when considered through the vantage point of the most basic of economic theory, a minimum wage is actually a barrier to employment.

As cited several times throughout this paper, Perry (2016) provided 15 things that a $15 minimum wage does not and cannot do, with the first example being a "guarantee that a single new job will be created."[4]

In section II we revisit economics 101. Section II is given over to a discussion of basic economic theory. The burden of section III is to focus on labor market dynamics. Section IV focuses on industry-specific evidence., V on the effects on vulnerable groups, VI on counterarguments against our thesis and VII on an open letter signed by over 100 economists.[5] We conclude in section VII.

II. Economic Theory.

When considering the basic economics of supply and demand, the minimum wage will naturally result in an increase in quantity supplied as more people are willing to work than the jobs that are available, thereby increasing the unemployment rate. This artificial wage floor defeats the ability of the market to find the natural equilibrium between wage and labor; finding a balance between the workers seeking a job and the number of them available. Employers will naturally turn away from this now higher labor cost and look to other ways beyond labor to meet their needs using capital, with one example being automation.[6] A business which relies on the lowest-skilled and entry-level workers will initially be faced with three choices: trying to pass along the higher labor costs on to its customers; cutting back on the hours worked; or entirely laying off some of its workers. It is noble to want to help the poorest in society, but government actions can often cause more harm than good.

"Making it illegal to pay less than a given amount does not make a worker's productivity worth that amount—and, if it is not, that worker is unlikely to be employed." (Sowell, 2000)

Claar (2021) argues that while most studies on the negative effects of the minimum wage focus on the low skilled workers, it is not the most sinister consequence of a wage floor. Instead of allowing the market to determine the minimum wage, the higher government dictated rate will increase the number of job seekers by increasing the incentive for those out of the job market to look for such employment but with the loss jobs suffered by the least

[3] For a splendid critique of this highly problematic statement, see Baum, 2015. Krugman (1997) contradicts himself on this matter insofar as he supports sweatshop labor, which, necessarily, pays wages below any reasonable minimum wage level.

[4] Here are the first 5 on the list: 1. It does not guarantee that a single new job will be created. 2. It cannot stop employers from reducing the number of low-skilled workers they employ at the new $15 government-mandated minimum wage. 3. It cannot stop employers from reducing the number of weekly work hours assigned to employees at the new $15 an hour minimum wage. 4. It cannot stop employers from hiring fewer unskilled and low-skilled workers in the future following a minimum wage hike to $15 an hour. 5. It cannot stop firms from investing in labor-saving technologies and automation like self-ordering kiosks following a minimum wage hike to $15 an hour.

[5] All of whom richly deserve to have their PhD degrees rescinded.

[6] A rowboat manufacturer can fashion his wares out of plastic, wood or metal. The price of one of these rises; he will reduce reliance on that factor of production and shift to one or two of the others. Ditto in this case.

productive workers. With more candidates seeking fewer jobs, employers are able to discriminate in manners of their own choosing. Most importantly, this will create a black market where employers and low-skilled workers will create an underground economy within the labor market. This will cause the number of unlawful jobs to increase as the number of minimum wage or lawful jobs will be reduced as they are driven underground.

When considering the effect of the Senate's proposed Raise the Wage Law of 2023 (S. 2488) which gradually would have raised the federal minimum wage to $17.00 per hour by 2029, the Congressional Budget Office (2014) found that "a minimum-wage increase generally causes a net reduction in average family income" with an estimated loss of approximately 750,000 jobs by 2029. The St. Louis Federal Reserve Bank cited a CBO study in 2021 which claimed that by 2025 a $15.00 per hour minimum wage would reduce employment by 1.4 million but would also increase the wages of 17 million workers and reduce poverty by 900,000.[7] (Wolla & Burton, 2021)

The CBO correctly found that the higher wage would raise earnings and family income of most low-wage workers but would be offset by other low-income workers who become jobless with a reduction in family income. In theory this works well for those who stay on at a higher wage[8] but is an impediment to the lowest earner who loses his job and does not have the skillset for any higher paying ones. An increase in the price of labor will naturally result in a decrease in demand for that specific service or labor. It is doubtful that SpaceX or Boeing will be affected by any rise in the minimum wage, but companies that rely on the entry level positions like McDonalds or a local grocer will either have to pass on the cost of higher wages along to customers who are often the least able to absorb higher prices, or simply lay off these most vulnerable of our workforce.

"When a price floor is placed above equilibrium, supply exceeds demand. This is a surplus, or, unemployment." (Block, 2018)

The left-liberal agenda of using government to implement its social policy ignores the basic law of economics in continuing to push for legislation to increase the minimum wage. Many states have established minimum wages above the federal minimum of $7.25 per hour. Santa Fe, New Mexico began raising its minimum wage which is now $14.60 per hour and can rise each year based on the consumer price index under its Living Wage Law passed in 2007 (Santa Fe Office of Economic Development, 2024). At that time, many box stores that relied on unskilled, low-wage workers closed their doors, including GAP, Toy R Us, Banana Republic and others. Store closings and/or job losses will not be instantaneous and will normally occur in the long term, but a business that fails to reduce its workforce to compensate for the higher wages will face eventual bankruptcy. (Block, 2015) Higher wages result in more job search but there are fewer employment slots available at the artificially high entry-level wage. This will result in higher unemployment payments for the newly unemployed with the federal government assuming and paying for the negative effects of its own wage policy.[9] As discussed below, many in the government incorrectly look to the minimum wage as a type of welfare program for the poor without addressing the negative effects of their legislation.

[7] If this were true, if we could really increase wealth by legislative enactment, why mandate $15 per hour? Why not $30 or even $300. $3000 anyone?
[8] But for how long? Before the minimum wage was raised from $0.25 to $0.40 in the 1930s, virtually all elevators were manually operated. Were any of these people supplanted by automatic elevators the very next day? Not a one of them. How about in a week. Not very likely. In a month? Maybe a few. But after a while, all of them. The point is, just because not all are fired immediately, it does not follow that this will not occur, eventually.
[9] Talk about shooting oneself in the foot; or, higher up

Neumark (2018), in a review of recent studies on the effects of higher minimum wage laws, discussed the pros and cons of these higher wages. The pros include combating rising income inequality and the higher wages earned by some workers, especially those in the poorest of families. The cons include the increasing amount of evidence that indicates most importantly that a higher minimum wage leads to fewer jobs, especially for the least skilled workers. This necessarily includes the loss of many of the low-skilled jobs that are eliminated based on the higher government mandated wage.

While many socialist economists rely on flawed studies claiming the limited or zero effect of minimum wage changes, Neumark's ultimate conclusion after reviewing all of them is that in the United States "most evidence does not indicate that minimum wages help poor or low-income families, or reduce most forms of public assistance."[10]

III. Labor Market Dynamics

In addition to hiring fewer workers or cutting their hours or even their entire tenure, a company can turn to automation as a cost-effective way to permanently reduce staff. Boudreaux (2015) makes the obvious point that automation driven by a scarcity of labor does not increase unemployment, but automation caused by an increase in the minimum wage does just that increase unemployment. The unemployment rate will vary in each state, but a scarcity of labor will have the same effect on employers looking to automation to replace workers who are unavailable or too expensive.

Citing another conclusion by Perry (2016), a high minimum wage "cannot stop firms from investing in labor-saving technologies and automation like self-ordering kiosks following a minimum wage hike to $15 an hour."

When the minimum wage is fixed indirectly by government[11] it becomes more expensive to use a human laborer in place of a machine. As American unions seek and attain higher and higher wages when facing the recent rise in inflation, this will drive the reliance on automation in place of humans. As noted by the St. Louis Federal Reserve in 2021:

> "Increasing the minimum wage provides economic incentives for firms to adopt new technologies that replace workers: That is, a higher minimum wage raises the cost of labor and increases the range of tasks that are susceptible to displacement by automation—especially the tasks of minimum wage jobs, which tend to be labor intensive and composed of low-skill tasks."

As technology advances, the cost of capital to perform tasks with automation will fall while the cost of labor will continue to rise with the rise in the minimum wage for low-skilled workers. This 2021 St. Louis Fed study also confirmed prior examination that while automation decreases the share of employment held by low-skilled workers, "the largest effects are felt in manufacturing and by older workers, females, and Black workers." At fast food outlets the effect of increased wages is seen with automated kiosks or restaurants with robots that assist waiters and deliver orders to each table in place of human servers. Once the minimum wage increases to the point that the entry level position can be automated, that labor job will not be coming back.[12] Also, as AI or artificial intelligence becomes more prominent in business, it could encourage more forms of automation that will mostly affect the young, the teens and the uneducated.

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[10] Ibid. In our view, there are no "pro's" in this debate (apart from sadists who wish unemployment for others) in *equilibrium.* True, before equilibrium is reached, there may be some employees who gain; also, it cannot be denied, we are rarely if ever in equilibrium. However, we are always tending in that direction, so the pro side of this debate is fatally weakened.

[11] Via anti market labor union legislation

[12] Not unless either the increase in the minimum wage is repealed, or, better yet, the entire enactment is rescinded

Looking beyond the minimum wage's effect on automation, one only need consider the American dock workers who earn well above the minimum wage but will force the ports to look to automation to remain competitive with those of other nations. While not tied to the minimum wage, the dock workers are another prime example of automation replacing laborers whose compensation is artificially boosted.

Further, if automation is not available as an alternative to high labor costs, companies may still shift to part-time or gig workers. Firms that cannot easily pass the increased wages onto their customers[13] can reduce hours worked or decrease the benefits to their employees. This is especially difficult for low-wage earners who depend on health and other employer provided benefits. In recent years, companies have used gig workers to avoid full timers and classified them as independent contractors.

This allows the company to "deprive workers of fundamental rights under federal and state labor and employment laws, including wage and hour protections, anti-discrimination protection, workers' compensation, unemployment benefits, and the right to organize and collectively bargain." (Zipperer, 2022)[14] The gig worker may have more flexible hours, but a $15 minimum wage law will not only cause him to lose his full-time job but will also cause him to lose all legal rights that most employees are entitled to under existing employment laws.[15]

In this context, Perry (2016) adds that a higher minimum wage "cannot stop manufacturing firms from outsourcing production overseas following an increase in the minimum wage to $15 an hour."

IV. Industry-Specific Evidence.

It is well recognized that certain industries which are labor intensive feel the greatest impact of increased minimum wage laws. These include retail, food service and hospitality, which address higher wages with job layoffs, reduced hours and hiring slowdowns. Focusing mainly on the fast-food sector, when California first raised the minimum wage to $15.00 in 2016 for these workers, it was assumed that those receiving this pay level could provide the skills that meet the requirements of the set wage. It is therefore the people who the minimum wage laws claim to help are the very ones who bear the real cost as the young and inexperienced end up with compensation of zero.

According to Jones (2021);

> "[E]mployers often respond to higher mandated wages by replacing low wage workers with those who have more education, skills and experience which make them more productive. This adjustment may have little effect on the observable employment numbers, but the effect is devastating for those who are replaced. Employers can be forced to pay higher wages, but they can't be forced to hire or retain employees whose contributions don't match the higher wage."

While the initial rise in the minimum wage may not be immediately reflected in the unemployment figures, a company could quickly reduce spending on fringe benefits such as

[13] This is not at all easy. In equilibrium, it is impossible. This insight is based upon the "coulda, woulda, shoulda" rule. That it, we assume that the previous price was the one that maximized profits. If so, then any deviation from it would reduce present discounted value of the business.

[14] This assumes of course that there are any such "rights." But rights are a two way street. If employees have a "right" to such phenomenon, then employers have an obligation to supply them. However it is not clear from whence such obligations emanate. Hours "protections" mean that the two parties may not contractually agree to a greater work day than mandated by law. This paternalism hardly constitutes a "protection." More, a rights violation!

[15] Such as they are

health care, job training and other such benefits. When California passed Assembly Bill 1287 into law effective April 1, 2024, which includes a $20 per hour minimum wage for fast-food workers, the Hoover Institution found that between last fall and January of 2024, "California fast-food restaurants cut about 9,500 jobs, representing a 1.3 percent change from September 2023 (Ohanian, 2024)." They listed various fast-food outlets with their staff reductions as well as the price increases at other chains and questioned how much more the public is willing to pay for a Big Mac or a Starbucks coffee. California currently has the highest fast-food prices in the country. The Institute correctly questions why the Golden State would impose a $20. minimum wage in an industry where 60 percent of its workforce is 24 years old or younger, versus other industries where only 13 percent of the workers are this young. The profit margins at fast-food outlets are slim at 5-8 percent (Ohanian, 2024), which leaves employers with little option other than raising prices or cutting workers or their hours. As politics often enter this type of legislation, there are always exceptions that protect the Governor and his principal donors. California AB 1287 exempts the $20 minimum wage from Panera Bread restaurants as Newsom's political donor holds these franchises which the bill classified as a bakery, as well as a Lake Tahoe restaurant owned by Newsom.

Further, a recent survey found that 74% of California fast-food restaurant owners indicated that they are more likely to shut down due to the new California minimum wage law of $20 per hour for fast-food workers (Synergy Restaurant Consultants, 2024). This is another example of a state using the minimum wage law as yet another welfare program. But it is a poor substitute for government programs that encourage employment instead of creating greater unemployment for the poorest, especially for the poor in a high-cost state like California.[16]

Yu, Mankad and Shunko (2021) also found that a rising minimum wage can have a negative impact on the lowest wage earners. Focusing on worker schedules and wage data, the study found that while the total number of workers scheduled for each week increased, the average number of hours per week decreased by 20.8 percent with total wage compensation falling by 13.6 percent. More importantly, as the hours were reduced, many no longer qualified for health or retirement benefits.

These writers concluded that even if overall employment rates remain constant, increasing the minimum wage can lead firms to make changes that "can ultimately have a substantial, negative effect on the welfare of the very workers these policies aim to protect."[17]

It should be noted that while the projected closing of 74% of California fast-food restaurants may be excessive in light of the survey being conducted by a California restaurant association, it still reflects the effect of pushing the minimum wage law well beyond the market equilibrium for the lowest wage earners.

In this regard, Perry (2016) addresses the negative effect of a higher wage law on an industry as the law "cannot stop firms from adjusting (to the disadvantage of workers) other 'non-wage attributes' of jobs offered to low-skilled workers following an increase in the minimum wage to $15 an hour."

[16] It is also a poor substitute for a complete laissez faire policy; sometimes, total inaction by a very inefficient institution, government, is the best policy. According to medical ethics, "first, do no harm." (Hippocrates, https://www.health.harvard.edu/blog/first-do-no-harm-201510138421) The state does not always abide by this basic ethic.

[17] Several commentators are on record, as are these, as maintaining the this legislation "aims to protect" low wage workers. Yes, perhaps, in some cases. But in others, the motivation is the very opposite. These can be seen by asking quo bono? Who benefits from this malicious enactment? One candidate is organized labor, whose wages are typically a multiple of that established by this law. Why, then, do unionists favor it. Part of the explanation is that they are in competition with this type of laborers, and the best way to fight them is to price them out of the market. This is precisely the effect of minimum wages.

V. Effects on Vulnerable Groups.

There is broad agreement that the young, low-skilled and entry-level workers are the most affected by job losses or reduced hiring caused by government increases in the minimum wage.

In 2021, economists David Neumark and Peter Shirley (2022) reviewed the published studies regarding the effect of the minimum wage on employment and concluded that "'there is a clear preponderance of negative estimates' and that the evidence is particularly strong for teens, young adults, and the less educated—exactly the results economic theory would predict."

Kalenkoski (2016) also found that minimum wages reduce employment opportunities for young people and create unemployment for them. While acknowledging that some will benefit from higher earnings,[18] others will suffer from reduced opportunities and lower lifetime earnings with reduced career paths. She specifically addressed the effect of delays in labor market entry for these workers and the resulting work experience which will reduce lifetime incomes for the young who are kept out of the labor force.

"In addition, if the minimum wage comes without a sub-minimum or training wage, employers may reduce the on-the-job training opportunities they offer, thereby further reducing young workers' lifetime incomes (Kalenkoski, 2016)."

When discussing teenage unemployment there is a difference between educated teenagers who may begin their employment (often part-time) at a minimum wage but will continue their education and will earn substantially higher wages in the future. It is the most disadvantaged in our society, particularly minority groups and the uneducated, who are most affected and left jobless due to a set minimum wage. Thomas Sowell (2013) has explained why "racists love the minimum wage laws"; they price young black workers out of a job. Often these minorities have not finished basic schooling or are a product of the failing inner-city schools in many of our large urban cities, leaving them with deficient math and communication skills. They may not have basic job skills or even social skills like learning to follow instructions and the importance of arriving at work on time. Yet an employer is expected to pay a minimum wage to a worker with such low productivity levels. Sowell noted how young black men could always find a job in the Harlem of his youth but today they are unemployed and standing on street corners collecting welfare checks. The minimum wage prices the underprivileged out of the ability to learn basic job skills from an employer who is willing to take the time, effort and economic cost to train an employee who cannot produce at minimum wage levels.

When the minimum wage prices a black teenager out of the job market, it is too often incorrectly used by the government as a justification for introducing welfare. As Jones (2021) writes: "Social activists and progressive editorial boards now regard the minimum wage as another welfare program that can reduce the costs of programs like Medicaid and food stamps and can reduce inequality. But the minimum wage is very poorly targeted for these purposes." Jones notes if it is the goal of government to aid low-wage households, it should expand the Earned Income Tax Credit to better help the poor.[19]

[18] This can only be temporary at best. For wages are based on discounted marginal revenue product, or productivity. This legislation changes that not by one iota. If the employee can add $50 per hour to the employer's bottom line, he cannot be paid more than that. If he is, bankruptcy ensues. Less than that? Say, at $40. Then a pure profit will be earn, but other firms will compete. One of them will offer $41. Another, $42. It can easily be seen where this will end up at equilibrium. How, then, can this law actually raise compensation in the long run? It cannot possibly do so. It will be "stuck" at $50, assuming ceteris paribus.

[19] Better yet, it should completely eliminate this pernicious minimum wage legislation, which caused the problem in the first place. For a critique of the EITC, see Edwards and de Rugy, 2015; Edwards, 2022

It appears obvious that the increase in unemployment caused by introducing and then raising the minimum wage will necessarily result in "higher government welfare spending and thus higher taxes and/or greater budget deficits to finance it (Reisman, 2014)."

Sowell (2000, 2013) recognized the devastating effects of minimum-wage laws on black teenage unemployment rates and the devastating effects of the misguided federal and state welfare programs have on these same black teenagers. It is the negative effects of a minimum wage which most economists today agree will reduce the employment prospects of low-skilled workers. To help the young unskilled and under-educated workers, the country would be better served with an eradication of this vicious law. Then, all sorts of governmental job training[20] and better education for the young would not be needed. Williams (2014) comments that the welfare state has made upward mobility illusive for many of the black youth. It is interesting that two of the most prominent black economists in the country recognize the negative effective of the welfare state and the minimum wage on black youth, but their opinions are ignored by black political leaders.

Accordingly, this section ends with a final Perry (2016) quote regarding the minimum wage: "It cannot stop firms from discriminating against minority groups following an increase in the minimum wage to $15 an hour."

VI. Counterarguments

Economists have debated the effect of the federal minimum wage since its inception under the 1938 Fair Labor Standards Act. Focusing on the "new minimum wage research," a 2022 study by Neumark and Shirley explored how different groups of economists summarize the body of evidence on the employment effects of minimum wages which range from arguments claiming: 1) the minimum wage has no effect on employment; 2) mixed effects and therefore there is no support either way; and 3) most evidence supports a negative effect on employment. In reviewing the various positions and the proffered evidence in support of each position, Neumark and Shirley (2022) agreed with most economists that an established minimum wage reduces the employment prospects of workers, especially the low-skilled.

Neumark and Shirley focused on the minimum wage research papers since 1992, and maintained: "In its totality, this body of evidence and its conclusions point strongly toward negative effects of minimum wages on employment of less-skilled workers, especially for the types of studies that would be expected to reveal these negative employment effects most clearly. They further concluded that:

> "The preferred estimates of authors of studies evaluating the employment effects of minimum wages in the United States, since the advent of the New Minimum Wage Research in 1992, paint a clear picture that is at odds with how this research is often summarized. In its totality, this body of evidence and conclusions points strongly toward negative effects of minimum wages on employment of less-skilled workers."

This conclusion should be well settled[21] economics 101. As Claar (2021) averred that "this is settled science in economics." A 2015 Economic Policy Institute survey of

[20] For a critique of such programs, see Council, 2019; Muhlhausen, 2017a, 2017b; Resnikoff, 2014; Weidinger, 2019.

[21] "Settled science" seems almost like a logical contradiction. And it is, regarding empirical versions of disciplined information. The latest research can always "unsettle" previous findings. And this applies, also, to empirical economics. However, according to the Austrian School, this does not at all exhaust the dismal science. There is also a branch of it predicated on pure logic. We do not have to continually test the Pythagorean Theorem, nor the claim that triangles contain 180 degrees. This is logically "settled." And the same goes for the claim that ceteris paribus, in equilibrium, a minimum wage set at any level whatsoever will permanently unemploy all those with productivities less than that. For more on the view that this constitutes a synthetic apriori apodictically necessary statement see Hoppe, 1995; Mises, 1949; Rothbard, 1962. As for those

economists revealed that "nearly 75 percent of American economists oppose a $15 federal minimum wage, with the majority concurring that it would lead to more youth unemployment, more adult unemployment, and fewer jobs overall. In reviewing some of the government studies of minimum wages and employment, even those who recognize its negative effect still try to give some credence to the extreme view of no negative effect by strongly focusing on the positive effect on those workers who retain their jobs.

Even the 2024 CBO Report commented that while some employers would employ fewer workers, "for certain workers or in some circumstances, employment could increase."

Krugman claimed in 2015 that there is no evidence that raising the minimum wage will cost jobs. Yet in 1988 he wrote that raising the minimum wage "reduces the quantity of labor demanded, and hence leads to unemployment" (Worstall, 2015). In his more recent 2015 statement Krugman was relying on a discredited 1994 study by economists David Card and the late Alan Krueger initially based on a telephone survey of fast-food workers in neighboring counties in New Jersey and Pennsylvania after New Jersey raised its minimum wage. After initial criticism, they redid their study based on official employment data which they claimed supported their initial findings. However, Neumark and Wascher (2007), two prominent critics of the Card/Krueger study, faulted their use of the two "control" groups based on the different pattern of teenage employment in the two states, their reliance on only the short-term results and thus their failure to the consider the lag effects of the rise in the minimum wage over the long-term.[22] When Neumark and Wascher reviewed the actual employment data relied on in the Card/Krueger study, they found that the data led to the opposite conclusion. Wenzel (2016) also addressed the flaws in the progressive's attempts in the 1990s to argue for a neutral effect on unemployment.

"In 1996, a review of the study by the Employment Policies Institute found that the data sets Krueger and Card used were so badly flawed that 'no credible conclusions can be drawn from the report.'" In doing his own research, Wenzel found that the payroll records cited in the Card/Krueger study bore no relation to the actual payroll records of the same New Jersey restaurants used in the study.

Yet the Card/Krueger study was enough for the Clinton Administration's Secretary of Labor, Robert Reich, to select Alan Krueger as his chief economist. Unfortunately, this is another example of a progressive administrator selecting someone who provides support for their policy position whether their published research is correct or not (Claar, 2021). While it is understandable that a government would want to help address poverty and at the same time lift the economy with greater consumer spending, but to ignore well-founded economic science should not be so easily condoned.

Several other modern studies tried to use material to support their preferred conclusion which is at odds with most of the data provided in the realm of minimum wage research. This is similar to the recent national and state polls in the presidential election which appeared to include the intentional ignoring or skewing of any polling that reflected positively on Donald Trump. This same concern applies to Paul Krugman who selectively used a discredited study to support his newfound interventionist view on the effect of the minimum wage on unemployment. There are multiple examples in the studies reviewed that clearly explain the equilibrium of wage and employment yet science can quickly be ignored if it does not fit the political agenda of those who control government spending and economic policy.

economists who fail to discern this effect in their research, they are akin to mathematicians who have uncovered a geometric figure, most certainly not a triangle, in which this Theorem does not apply.

[22] Neumark, David and Wascher, William. 2007. "Minimum Wages and Employment: A Review of Evidence from the New Minimum Wage Research."

VII. Open Letter

In this regard, over one hundred Ph.D. academics signed an open letter published by the Economic Policy Institute supporting a $15 minimum wage by 2024 declaring:

> "We, the undersigned, support gradually increasing the minimum wage to $15 by 2024, and then indexing it to median wages to protect against future erosion. We also support gradually phasing out the outdated subminimum wage for tipped workers, which has been frozen at $2.13 since 1991."

These academics[23] provide the standard arguments for a higher minimum wage without addressing most studies which find that a higher minimum wage will the economic situation of those at the lowest end of the wage scale. Yet they simply conclude that a gradual increase in the minimum wage will lift the income of millions of Americans while also reversing the years of income inequality, which would far outweigh any potential costs.[24] Of course, the minimum increase was not enough to address their concern with the growing inequality between the bottom and middle classes.

These academics also claim without proof that most research shows that modest increases in the minimum wage have little or no negative effects on the employment of low-wage workers. They even claim that with fewer hours on the shop floor, the workers would still break even or come out ahead due to the higher minimum wage.[25] This self-justification refers to "many of these workers" and ignores the established fact that the young and untrained will be the first to become unemployed with their minimum wage. In order to address their concern with growing pay inequality, the academics quickly look to other government programs to assist those at the bottom of the economic ladder. While not acknowledging the real human cost of a higher minimum wage, they immediately turn to more government handouts as their way to address pay inequality and their so-called progressive agenda.

While acknowledging that low wages contribute to the economic difficulties of low-income families, in an updated study David Neumark correctly cites that the majority of academic studies confirm the negative effects of the higher minimum wage which discourages employers from using low-wage, low-skill workers. Neumark (2014) reviewed over 100 studies of the employment effects of minimum wages and found that two-thirds of the studies found negative effects of higher minimum wages on employment. "A large body of evidence—although not all of it—confirms that minimum wages reduce employment among low-wage, low-skill workers . . . and blanket statements claiming that there is no evidence that raising the minimum wage costs jobs are simply untrue." Rather than helping the poor, the majority of the research showed that raising the minimum wage in the United States will actually increase the number of poor and low-income families.

Neumark concludes that "the minimum wage is a relatively ineffective policy for achieving the goal of helping poor and low-income families. More effective policies are those that increase the incentives for members of poor and low-income families to work."

The 100+ academics discussed above believe, like many politicians, that if one makes an incorrect statement enough times, that it will be accepted as a proven fact (Boudreaux,

[23] Are hypocritical. Virtually all of them favor foreign aid. Yet, if they were serious and logically consistent about the minimum wage, they would urge an end to such transfers to poor countries. Instead, they would advise them: "Just institute a minimum wage law pegged at, oh, $100 per hour and then the entire populace would be wealthy beyond the level of avarice."

[24] Which, in turn, they do not acknowledge.

[25] The best remedy to this fallacious thinking are the titles of essays by three prominent and highly respected economists: Becker, 1995: "It's simple: Hike the minimum wage, and you put people out of work." Friedman, Undated. "A minimum-wage law is, in reality, a law that makes it illegal for an employer to hire a person with limited skills." Sowell, 1995. "Repealing the Law of Gravity,"

2016).[26] If the minimum wage is intended to help poor and low-income families, Neumark also found that they do little to improve their lot. In helping families overcome poverty, the increased wage does not mean higher earnings for these families. Contrary to the claims of the above noted academics, most of the research in the US finds that the minimum wage does little to help the poor.

A recent article by Marinescu (2023), claimed that increasing the minimum wage will increase employment in labor markets where employers have more control over wages. The article addresses "monopsony power" where in a noncompetitive market the employer has the ability to set wages below those that would be possible in a competitive market. Yet even supporters of this model agree that it can only apply to areas where a single employer controls all or almost all of the workers. Further, professional sports teams such as the NFL, NBA, NHL, major league baseball or tech companies that supposedly can exercise market control or monopsony power[27] are not dealing with the lowest wage earners. The findings reveal that in less competitive job markets where employers have more wage-setting power, and tend to pay workers less, there is more room to increase wages. In the most concentrated labor markets, the authors found that employment rises following a minimum wage increase. This sounds more like an ivory tower argument than a real-world scenario that affects the lowest wage earners.

As to the arguments whether pro or con regarding the effect of minimum wage increases, Neumark (2016) concludes the "the minimum wage is a relatively ineffective policy for achieving the goal of helping poor and low-income families. More effective policies are those that increase the incentives for members of poor and low-income families to work."

Another word about empirical studies of the minimum wage. Hypothetically, when this law mandates, for example, that $15 per hour must be paid to all workers, then, in equilibrium assuming ceteris paribus conditions, all of these with a discounted marginal revenue product of less than that will become not only unemployed but unemployable. However, suppose, now that this peg is raised to $17. Then, only those people whose productivity falls between these two amounts, $15 and $17 hourly, be join the ranks of joblessness. There will be far fewer of the latter than the former, by the very nature of things. Thus, the negative incidence of this new enactment will be much smaller. It will be, thus, far more difficult to discern this effect, empirically. But the basic principles of economics will still apply: a floor above equilibrium in supply and demand analysis will necessarily create a surplus. In this case, unemployment when the supply of labor is greater than the demand for it.

VIII. Conclusion

Although controversy exists regarding benefits of a higher minimum wage, it is well accepted by most economists that minimum wages reduce employment opportunities and create unemployment, especially for young and otherwise unskilled workers. While economics is a science in which some economists will selectively rely on data to support their preferred opinions, the negative effects of the minimum wage on the young, low-skilled and entry-level worker cannot be seriously challenged. As wages rise, so will the use of capital to replace the laborer with automation and the AI of the future, or cause companies to shut down, reduce their products, or shift production overseas. The misguided use of the minimum

[26] This publication provided a list of scholarly empirical studies whose authors find that even modest hikes in minimum wages destroy jobs.

[27] For the claim not that monopsony is rarely found in reality, and, if then, not applicable to low wage folk subject to the minimum wage, but, rather, is intellectually incoherent, see Bellante (2007); Block and Barnett (2009) and Rothbard, (1962)

wage as a welfare program for the poor and low wage earners deprives too many of those at the bottom of our economic ladder of the chance of a better career in the future. In concluding that the minimum wage is compulsory unemployment.

Rothbard (2015) writes: "Remember that the minimum wage law provides no jobs; it only outlaws them; and outlawed jobs are the inevitable result."

The average voter who supports this legislation thinks of it as floor undergirding wages. Raise the floor, and compensation rises along with it. Physical analogies can sometimes be misleading. However, if one is warranted, a far better way to look at this matter is that this law is a hurdle, or a high jump bar, over which the candidate for employment must "jump." If it is set, say, at $15 per hour, then the worker must be able to add to the firm's bottom line by at least that amount to obtain a job in the first place and to keep it. However, if he can only add productivity of $12 hourly for example, then the employer will lose $3 per hour by hiring him. That moves the company in the direction of bankruptcy, inability to employ anyone at any wage.

Is the dystopic picture we are painting solely reliant on the minimum wage? No. There are other sources of unemployment besides this pernicious legislation. For example, excessively generous welfare payments can also have this effect. The minimum wage is a sufficient condition for unemployment but not a necessary one.

Does the use of automation, gig labor, the closing of big box stores, and the use of an illegal labor market which are already features of the present day economic landscape create joblessness? What about the fact that large corporations are already looking to hire international labor (e.g., migrants, aliens, and H1B visa holders, as is the case in the tech industry) in order to replace American workers? No, none of these phenomenon are implicated in long term job loss. If they were, then when millions of soldiers came home after world war II this would have occurred. The very opposite took place. Ditto for when automation replaced horses and buggies with cars, typewriters with lap tops and Kodak with smart phones that take pictures, elevator operators with automatic vertical conveyances.

A really strong case can be made that progressive, liberal politicians and activist groups are pushing for a political agenda that would exacerbate existing problems, rather than fix them.

What direction for the future in this regard do we see? As an alternative to a minimum wage increase, or, to leaving it at present levels we advocate eliminating this pernicious legislation entirely. This law is economic poison, and the best way to deal with toxicity is to eradicate it.

This would address the present economic disparities. For this legislation is mainly an attack on the poor. Without it, they would have a far better chance of achieving the prosperity they are now barred from attaining.

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