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If You Think Minimum Wage Hikes Are The Bomb, Check Out Its Explosion In Venezuela

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Socialist Venezuelan dictator Nicolas Maduro announced in August a massive and immediate increase in the country's monthly minimum wage — from 5.2 million to 180 million bolivars, an increase by a factor of 35. This is the equivalent of increasing the federal minimum wage in the United States from \$7.25 to \$251 per hour.

In consequence, thousands of Venezuelan businesses unable to pay the new wages closed, and the stores that remained increased prices. In the end, inflation soared higher than 61,000 percent, according to the Cato Institute. These results have been disastrous, and the failure of the minimum wage increase easily debunks the American Left's calls for a higher minimum wage in the United States.

Liberal policies have led to economic disaster in Venezuela. Since the socialist dictatorship of Hugo Chavez began in 1999, the minimum wage has been increased by more than 150 million percent. As a result, 9 out of 10 formal workers now earn minimum wage, and government spending has skyrocketed to pay for employee wages.

Since the government finances new spending by creating more money, adjusted for inflation, the minimum wage has actually *fallen* from more than \$400 per month to less than \$2 over the last 20 years. In other words, an entire month of minimum wage can buy only six pounds of beef — that is, if you can find it.

The nearly complete economic equality resulting from minimum wage hikes has led many Venezuelans to stop pursuing an education, since it does not pay. The widely cited national life conditions poll conducted by the Andrés Bello Catholic University showed that from 2014 to 2017, Venezuelan college enrollment fell 20 percent. The college dropout rate stands between at 60 percent, according to different estimates. Even more worrisome, half of all K-12 students either dropped out of school entirely or constantly miss school due to lack of food, school supplies, or electricity and water in their homes.

Venezuela shows that increasing the minimum wage does reduce inequality. Since 1999, inequality has significantly decreased. Everybody has just gotten equally impoverished.

Venezuela became the second most equal country in the Western Hemisphere by the time of Chavez's death in 2013, drawing praise from American news outlets such as CNN.

However, this praise misses the point: Natural inequality that results from individual choice is necessary, as it provides an incentive that reflects the respective value of different types of work. Inequality in a system where nearly everyone can earn his way up the ladder is a heck of a lot better than equality in a system that impoverishes everyone except the politically well-connected.

Remarkably, the Venezuelan Labor Minister Jesús Martínez once wondered on national television: “Why should a doctor earn more than a street sweeper? One fixes health, the other preserves health.” This ludicrous comment reveals the underlying principle of minimum wage increases: Everyone, no matter what they do, has a “right” to earn the same — that inequality should be limited at all costs.

Unfortunately, the Venezuelan minister achieved his goal. In his country, many doctors and college professors earn no more than the minimum wage, to disastrous results. Consequently, at least 22,000 doctors have fled Venezuela over the last six years. The same is true for other sectors such as banking, which has lost nearly one in four workers in the last two years. Therefore, the equality of result that socialism imposes does not benefit the poorest in society, but makes them poorer by pushing away the most qualified citizens who serve as doctors, professors, and specialists in different disciplines.

Of course, simply raising the U.S. minimum wage to \$15 per hour will not cause the same number of economic woes that massive hikes did in Venezuela. A lot more is going on in that country. However, as in Venezuela, the poorest workers and the unemployed are always worse off due to minimum wage hikes of any kind, and in any context.

While the Left dismisses this example as mere hyperbole, no other country has raised the minimum wage as much as Venezuela. These extraordinary increases in the minimum wage help us see the real net effect of this policy whenever it is implemented.

The inconvenient fact remains that economic principles are no different from one country to another. Businesses small and large exist to profit and compete by providing their customers with the best service at the lowest cost possible. Increasing the minimum wage to \$15 per hour will only leave unemployed the least-skilled workers who do not create \$15 per hour of value, as numerous studies have shown.

This will not only be detrimental for unemployed workers, but also for the millions of small businesses that will not be able to hire the workers they need. In the end, everybody will be forced to pay higher prices when businesses pass onto them the higher costs of hiring more expensive workers. The United States might not be Venezuela, but we can certainly learn from their mistakes.