

# The Detroit News

## The minimum wage is immoral and inefficient

Doug Bandow

Democratic politicians are desperate to make up for Obamacare's disastrous roll-out. Thirteen states are increasing their minimum wages this year, and some Democrats believe raising the national minimum wage is a winning campaign issue for November.

But there is no doubt that raising the minimum wage would reduce employment and slow economic growth. Worse, government wage-setting is immoral. It is unfair and wrong for politicians to posture as philanthropists while arbitrarily forcing other people to pay higher salaries.

The first question is the minimum's impact on employment and price levels. The answer is clear: the cost of higher wages will be borne in varying degrees by customers, workers, and investors.

As Nobel Laureate Milton Friedman observed, there ain't no such thing as a free lunch. Arbitrarily raising the cost of labor — there is no principled basis for choosing any *particular* government minimum — will increase prices, reduce investor returns, and cut employment levels.

Most vulnerable are workers with the least education, experience and skills, who tend to be young and minorities. Forcing up wages will not only reduce overall employment, but shift jobs toward higher-skilled workers who are more productive and thus warrant higher pay. The minimum wage also encourages mechanization, since it makes sense for companies to invest more in machines and less on labor.

In effect, the minimum wage is a tax on labor-intensive companies. No surprise, then, as explained by Mark Wilson of Applied Economic Strategies: "The main finding of economic theory and empirical research over the past 70 years is that minimum wage increases tend to reduce employment."

The strangest claim may come from the Financial Times, which editorialized: "a higher wage would stimulate the economy without adding a dime to federal spending." However, to the extent raising the minimum increases the total amount of wages, it does so by redistributing the money from other people.

No doubt, the employment impact of a small increase, especially if salary levels have been rising, would be modest, which explains recent economic studies demonstrating lesser job loss. Indeed, that's what the president suggested in his 2006 book, "The Audacity of Hope": "It may be true — as some economists argue — that any big jumps in the minimum wage discourage employers from hiring more workers." So he urged a small hike. But the less significant the increase, the less meaningful any potential benefit.

Unfortunately, good intentions are not enough. Economist Paul Krugman once dismissed the illusion "that the price of labor — unlike that of gasoline, or Manhattan apartments — can be set based on considerations of justice, not supply and demand, without unpleasant side effects."

Yet there is an even more fundamental issue. The minimum wage is the modern perversion of compassion into coercion: I believe there is a moral imperative for you to earn more, so I force *someone else* to pay more. I feel moral while sticking someone else with the bill.

Washington should be systematically reducing, not increasing, the cost of doing business. The minimum wage is bad economics. It also is bad morals. The next time someone rises to support arbitrary government wage-setting, they should be asked what they are doing personally to help the economically-disadvantaged. Raiding the wallets of others does not count as compassion.

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