



Abolish the Minimum Wage? It's No Fantasy

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Free market advocates tried to convince an audience at Washington, D.C.'s Burke Theater last week that the minimum wage should be abolished.

James Dorn of the Cato Institute and popular economist Russ Roberts faced Jared Bernstein from the Center on Budget and Policy Priorities and Karen Kornbluh, a former senior adviser to President Barack Obama, in an [Oxford-style debate](#) facilitated by the organization Intelligence Squared.

The premise—Abolish the Minimum Wage—is far from the current mainstream debate. Since its creation in 1938, the minimum wage has been venerated. For years, public discussion has focused on raising it, and although such increases are a constant point of contention between Democrats and Republicans, people have rarely questioned the rule's existence.

But the deregulation of government over the past 15 years, now coupled with the rise of an unforgiving libertarianism on the right, has allowed lawmakers to re-examine programs and policies that haven't been touched for decades—the Glass-Steagall Act separating banks and investment firms as well as federal welfare are gone. Now Social Security, Medicare, Medicaid and the minimum wage are threatened.

The slow bulldozing of these government protections lends a prescience to the debate on minimum wage. One day the United States, which two years ago could have never anticipated today's proposed cuts, might have to confront the issue seriously.

Labor, Roberts and Dorn argue, is a commodity and regulating any commodity is an assault on the tenets of free market capitalism. As with any commodity, labor is subject to the rules of supply and demand and to interfere with that economic model, they say, is to impede the market's ability to self-regulate. In short, if labor becomes more expensive, there will be less of it.

"You don't need a special theory of the labor market or a degree in economics to understand that making workers artificially more expensive makes it harder for them to find work," Roberts said.

Roberts, who noted that he pays his maid twice the minimum wage, believes that job alternatives, rather than the federal rule, keep companies from lowering the wage to, say, \$3 an hour.

“It is those alternatives that protect [my maid] from the greed of employers,” he said. “And alternatives force employers to treat employees well. Most of us don’t need legislation to protect us in the labor force.”

Despite the figures on poverty, inequality, segregation, and sexism—women make [7 percent less](#) than men in the same job positions—Roberts and Dorn prefer a freer free market. They stick to their theoretical models. Unfortunately, those don’t reflect reality.

In [a recent report](#) from the Center for Economic and Policy Research, author John Schmitt plots all of the studies that measured how minimum wage increases change unemployment levels. He found that some were negative, some positive. But the dots hover around zero.

In addition, the minimum wage has been raised 22 times and 19 states have increased it beyond federal levels with no negative effect on the economy as a whole.

Meanwhile, 17 million children have at least one parent earning the minimum wage and one-third of all minimum wage workers have children. They earn [\\$3.25 less](#) than the \$10 an hour 1968 standard, adjusted for inflation. And worker productivity has doubled since then.

In the end, for people like Roberts and Dorn, it is not about the statistics. It is about vague ideas like liberty and justice. Unfettered capitalism would correct what is wrong, they say, if only barriers like regulation and taxes would disappear.

“The minimum wage,” Dorn said, “interferes with individual freedom and economic freedom.”

The opposing Bernstein and Kornbluh, whom the audience voted winners of the debate, admonished Roberts and Dorn for confusing emotional language with fact.

This “laissez faire market ideology,” Bernstein said, not only “trumps common sense and empirical evidence” but objectifies labor—people—who are treated like commodities when economists remain locked up in the ivory tower and look at society through a narrow lens.

“Every economist should be required to do two years of social work before becoming an economist,” said Bernstein, who began his career as a social worker in New York City.

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