

# MINIMUM WAGE MALARKEY

## SEPTEMBER 2006

What if Congress in their infinite ability to pander and demagogue decided on passing a law setting a minimum price on used cars?

For arguments sake let's say \$20,000.

Here is the deal...If you have an old rust-bucket VW van that still reeks of a popular contraband and want to trade it in for the latest eco-friendly econo-unfriendly Al Gore approved auto and are concerned that you will only get a mere trifle for your vehicle, fret no more! Congress has passed a law guaranteeing you will receive at \$20,000 for your VW icon despite all the bong-water damage.

***'This law will help the least fortunate in our unfair and cruel capitalistic society. Capitalisms victims, individuals with the lowest incomes unfairly own automobiles that are older, unsafe and are environmentally unfriendly. They are unable, due to conditions beyond their control and through the systematic fault of conservatives, and powerless in getting a desirable price for their used vehicle. In fact, a source has alerted me that the Halliburton Corporation is using its ties to the White House and Dick Cheney to artificially deflate the value of used automobiles. This law my fellow Americans, my fellow victims of this cold cruel world will put an end to conspiracy.'***

      NAME       (Fill in the blank) (D) (either MA, NY, MI, VT, MD, NJ, IL, or CA)

This idea, absurd as it may sound contains the same logic as our minimum wage laws. If pandering econo-ignorant politicians decide to make the minimum price for a used car sold to be \$20,000 what in reality will happen is used cars with a value of less than \$20,000 will never be sold. Not only would our sensitive pony-tail victims of capitalism be unable to sell their *bong mobile* to recent college graduate with a BA in diversity, they would be unable to purchase another used vehicle because the minimum price would be \$20,000.

Donald Luskin writes in his column [The Minimum Wages of Sin](#) that, *"If a business owner is forced to pay someone \$15 an hour, what will happen is employers will refuse to hire people for jobs that will be worth less than that. And they'll fire anyone who was doing those jobs at a lower wage, before the law was passed.*

***Which leaves the low-wage earner with a rather stark choice...?***

***Would he rather be employed at \$10 an hour, or unemployed at \$15?"***

Don't think that employers will be dumb enough to pony up money for jobs they cannot afford. The Gap is not going to pay an army of teenagers with lower back tattoos and nose-rings \$15 to fold t-shirts. They will find a way around the problem or they will go with a European model of don't touch, or we will deal with unkempt stores and long checkout lines. (Side note: when shopping in Europe it is considered rude to touch anything inside clothing stores or take it off a rack without asking permission first. Stores are understaffed and overpriced due to minimum wage laws.)

Donald Luskin in his piece argues the point of France where minimum wage is twice what is mandated in the United States. He writes, *"Go to a grocery store or a toy store there. There are hardly any clerks to help you. No baggers to pack your stuff when you check out. Merchants*

*simply can't afford to pay the too-high minimum wage for this kind of work."* In my last trip to Greece I went to a supermarket in Athens to pick up some essentials on a Saturday afternoon. Two things I couldn't believe. First, I had never seen a whole eight foot shark for sale in a fish department and second I never spent an hour and half buying baby formula and diapers. The busiest day of the food shopping week, Saturday afternoon, and only two checkout people were working.

The unemployment rate for France and Greece is 10% and 10.8% respectively. A minimum wage requirement fosters the inability for business owners to hire low-wage entry level workers. This in turn destroys the opportunity for entry level workers to acquire the skills necessary to move onward and upward, hence a high unemployment rate especially with youth and minorities. Donald Luskin also makes the point that minimum wage laws end up not just harming certain individuals, but setting back the growth rate of the entire economy. It creates a distortion of the optimal use of skills in the economy. For example, I am perfectly able to mow my own lawn but rather than spend two hours a week mowing and edging my yard, I pay a company \$20 a week. That two hours saved is put to better use by working longer or spending it with my family. However, if the cost of mowing my lawn no longer became cost effective I would be doing it myself (in about eight years lawn care will be free in the Markowski household due to a fantastic program for kids called chores.)

It isn't difficult for political exploitation artists to demagogue this issue, with talk about the living wage and "evil" corporations like Wal-Mart. The reality of the situation is that very few Americans earn minimum wage and the few that do, will not be working for minimum wage throughout their lifetime. I earned minimum wage, my brothers earned minimum wage and our children will earn minimum wage someday.

Michael Dell's first job was working in a Chinese restaurant for \$2.00 an hour. Bill Gates was a page at the Washington State capital earning minimum wage. Rush Limbaugh shined shoes. Author Stephen King was a janitor. Ralph Lauren sold sweaters at Bloomingdales. The bottom line is it is never important where you start, it is how you finish. The experience and knowledge one gains in so-called *McJobs* is more valuable than the stipend. By enacting ridiculous pandering minimum wage laws we are effectively closing down the breeding ground for our future inventors, businesspeople, artists and leaders. What we will become is a society beholden to nepotism and wealthy family patronage; where the barriers to entry will be based upon who you know. Honestly do we really want Paris Hilton on the board of Microsoft?