

Demonizing the Minimum Wage

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William Finnegan, *The New Yorker*, September 17, 2014

With the midterm elections approaching, the United States Congress finds itself in an exaggerated version of its customary posturing gridlock. Among the many urgent issues that it almost certainly won't address this year are immigration reform, gun control, the Keystone XL Pipeline, the fate of the Export-Import Bank, and the federal minimum wage. A bill to raise the minimum wage from its current level, \$7.25 per hour, to \$10.10 an hour, over the course of two years, has been rattling around on Capitol Hill for eighteen months—with, it now seems, no hope of passing. Because the federal minimum wage has never been indexed to the cost of living, the debate over its efficacy and morality is regularly reëngaged as its value sinks and Congress is called upon to act.

The arguments against—a hundred years' worth—were recently collected by a group of scholars calling itself the Cry Wolf Project. They sound hair-curling. "The minimum wage has caused more misery and unemployment than anything since the Great Depression," Ronald Reagan said in 1980. "Rome, two thousand years ago, fell because the government began fixing the prices of services and commodities," Guy Harrington, of the National Publishers Association, told Congress in 1937. The Fair Labor Standards Act, which set a national minimum wage of twenty-five cents an hour, in 1938, and also abolished most child labor, "constitute[d] a step in the direction of communism, bolshevism, fascism, and Nazism," according to the National Association of Manufacturers. In the view of its opponents, the minimum wage—or raising an existing minimum—will always and inevitably damage the economy, kill jobs, doom American freedom, and/or harm the very people that it is meant to help. This litany of alarm has a dismal record as a description of reality, and yet has not changed much over the past century.

President Franklin D. Roosevelt, when he first introduced the federal minimum wage, in 1933, was clear about its main purpose. "No business which depends for existence on paying less than living wages to its workers has any right to continue in this country," he said. "By living wages, I mean more than a bare subsistence level. I mean the wages of decent living." It had other purposes, too, including regional economic development: the initial impact of the minimum wage was strongest in low-wage industries in the South, such as textiles. But its Southern opponents succeeded in creating exceptions to the law for agricultural and domestic workers, insuring that the decent living envisioned by New Dealers would not become available to, among others, millions of African-Americans. It has been raised twenty-three times since 1938. Still, its value today is far lower than it was two generations ago. The 1968 minimum wage, to take a high-water mark, was, in real 2014 dollars, \$10.95 an hour.

Raising the minimum wage is not, by any stretch, a poverty panacea. Its knock-on economic effects are in fact complex, its redistributive aim less well targeted at the working poor than, say, the earned-income tax credit. But opponents who insist that a raised minimum wage only hurts low-wage earners by eliminating entry-level jobs—a popular conservative position today—often have a weak grasp of the lives of the people involved. In March, Representative Paul Ryan, attacking the proposed hike at a town-hall meeting, said, “The majority of these workers are younger people just getting into the workforce.” This is not so. According to the Economic Policy Institute, the average age of workers who would benefit from a higher minimum wage today is thirty-five. Eighty-eight per cent are over the age of twenty. “The typical worker who would be affected by an increase in the minimum wage to \$10.10 per hour by 2015 looks nothing like the part-time, teen stereotype: She is in her early thirties, works full-time, and may have a family to support.” In last week’s issue, I wrote about fast-food workers who also look nothing like the stereotype, and who have begun fighting for an industry-wide raise and the right to unionize. Their present wages are hopelessly inadequate. One study showed that fifty-two per cent of fast-food workers are on some form of public assistance.

Recent polls find that Americans strongly support (seventy-three per cent in favor, twenty-five per cent against) raising the minimum wage to \$10.10. Senator Orrin Hatch, in an earlier round of this century-long debate, told the Times, “Youth unemployment and black unemployment will drastically rise. It’s amazing to me that some black leaders want an increase in the minimum wage.” African-Americans and young adults are evidently consulting oracles different from Hatch’s. Both groups support raising the minimum wage at even higher rates than do Americans as a whole.*

The true (and truly depressing) modesty of \$10.10 was made clear in the most recent “job-gap study,” released annually by a group called Alliance for a Just Society. Using data from state and federal public sources, the study found that, for a single person, the bare minimum income necessary for a basic household budget varied widely according to location. In Montana, for a full-time worker, it was \$13.92 an hour; in New York City, it was \$22.66. For a single adult with a school-age child, the bare minimum required, in Montana, was \$19.36 an hour for a full-time worker; in New York City, it was \$30.02. Raising the minimum wage to \$10.10 would increase the income of at least sixteen million workers. It would not lift anywhere near that many people out of poverty. The proposed hike would ease present hardship, not abolish it. It would be a move in the *direction* of “the wages of decent living”—a performance, one might say, of decency itself.

Senator Mitch McConnell, Republican of Kentucky and the Minority Leader, has voted seventeen times against raising the minimum wage; in April, he led a successful filibuster of the \$10.10 bill. If the Republicans can manage to take the Senate in November, McConnell hopes to become the Majority Leader, though he will first need to retain his own seat. He is in a surprisingly tight race with Alison Lundergran Grimes, Kentucky’s Secretary of State, who has been resolutely reminding voters of his record on the minimum-wage issue—a majority of Kentuckians favor raising it. McConnell recently had what may turn out to be his Mitt Romney “forty-seven per cent” moment. He was

speaking at a donor conference in California, organized by Freedom Partners Action Fund, a super PAC with ties to the conservative billionaire industrialists Charles and David Koch, called American Courage: Our Commitment to a Free Society. McConnell's remarks were secretly recorded by a political Web show called the Undercurrent and later published by *The Nation*. Looking forward to his reign as Majority Leader, McConnell told the wealthy donors, "We're not going to be debating all these gosh-darn proposals. That's all we do in the Senate is vote on things like raising the minimum wage."

That California conference seems to have been an extraordinary affair. The setting was the St. Regis Monarch Beach Resort, in Dana Point, giving Party leaders, including McConnell and Senator Marco Rubio, along with a number of Senate hopefuls, the chance to mingle for a weekend, in luxurious surroundings, with the Party's largest donors. The Party of kill-the-minimum-wage could hardly have been more splendidly represented.

The most startling recording made at the California conference was of a speech by Richard Fink, an economist who is an executive vice-president of Koch Industries, Inc., and who has been described as the "chief political adviser" to Charles Koch. Fink hit every scare note in the timeworn aria against the minimum wage. "The big danger of minimum wage isn't the fact that some people are being paid more than their value-added," he said. "That's not great. It's not that it's hard to stay in business—that's not great, either. But it's the five hundred thousand people that will not have a job because of minimum wage." This theoretical mob of half a million jobless will see themselves as victims, Fink said, making them, psychologically, "the main recruiting ground for totalitarianism, for fascism." Fink drew dark analogies to the Third Reich, Stalin's Soviet Union, Mao's China, even "suicide-bomber recruitment." It was, in many ways, the same old song, and it probably spoiled no one's appetite for the "oven-roasted Angus natural filet mignon served in a fresh green peppercorn sauce" at a conference dinner held at La Casa Pacifica, the old Western White House of Richard Nixon. Still, I like to think that Nixon himself, who originally proposed the earned-income tax credit and presided over a dramatically less unequal American economy, might have blushed.

**Correction: Owing to an editing error, this sentence originally stated that young adults and African-Americans support increasing the minimum wage "to," rather than "at," higher rates.*