

LV 1 Aug 7
(17-30 juin)

A minimum income, not wage, is a fairer way to distribute wealth

Andrew Coyne (Financial Post, April 2013)



STAN HONDA/AFP/Getty Images Pass a law demanding that employers pay each worker a higher wage than they'd prefer to pay, and they have an easy (and perfectly legal) way to avoid it: hire fewer workers. Above, a coalition of groups rally in front of a McDonald's during a protest by fast food workers and supporters for higher wages last week in New York.

President Barack Obama's State of the Union proposal to raise the federal minimum wage in the U.S. immediately set off a debate over whether Canada should do the same. And really, why not? Obama proposes raising it from US\$7.25 to US\$9 an hour, but that seems chintzy. Who wants to live on \$9 an hour? I say anything less than \$45 is an outrage. I know, I know, you're going to tell me that's too much, that it will "cost jobs." That's what business types like you always say. Why, if supply and demand were what governed wages, it wouldn't even be at the level it is now.

Chances are you've heard some version of this argument. Proponents of raising the minimum wage are always in favour of setting it at the "right" level, which, by a remarkable coincidence, is always a little more than it is. Suggest quintupling it instead and you get a withering look: an implicit acknowledgement, that is, that setting wages above market levels throws people out of work.

Yet that is the effect of any minimum wage, at whatever level. The market wage is the wage that just equates the supply and demand for that type of labour. For a certain type of worker, lacking either skills or experience, the market wage will be relatively low. The point of a minimum wage is to raise their wages above the market level, that is to a point at which some workers willing to supply their labour will find themselves surplus to the demand — or, in other words, unemployed. QED.

While efforts have been made to complicate this analysis in recent years, empirical data continues to bear out the basic logic of a downward-sloping demand curve: For every x% you raise the minimum wage, you lose y% in jobs, with particular harm to young people and recent immigrants. Yet politically the minimum wage remains as unassailable as ever. Why?

I think it is because people imagine the alternative is... nothing. Let people starve, that is, to sate some sadistic God of Laissez-Faire. But that is not the alternative. The alternative to the minimum wage is a minimum income: paid not by employers, but by the state.

The minimum wage is typical of so many bad policies, in so far as it attempts to solve a distributional problem — some people's incomes are too low — with an instrument designed for a very different purpose. Wages are a kind of price: their role is to connect buyers and sellers in the market for labour in such a way as to ensure there are no shortages and surpluses. Stop them from doing that, and shortages and surpluses you will get.

Fixing wages and prices in this way isn't an example of Big Government; it's rather what I call phoney small government. Part of its appeal is that it appears less interventionist than the alternative, as proposed by that early economist Robin Hood: Take from the rich and give to the poor. But it isn't. It's just less effective.

Pass a law demanding that employers pay each worker a higher wage than they'd prefer to pay, and they have an easy (and perfectly legal) way to avoid it: hire fewer workers. Whereas the Canada Revenue Agency is rather harder to get around.

Social obligations should be socially financed. As a collective ideal, distributional justice is ill-suited to being pursued through markets. That's not what they're for. Let us stop shunting our responsibility off on others. In place of the minimum wage, let us fix a minimum income.

A L'ATTENTION DES CANDIDATS

- Ne pas écrire sur le texte, ne pas surligner ou souligner
- Rendre l'article à l'examineur avant de quitter la salle

615 words