The Minimum Wage Fallacy

Mary Dugan came home one evening elated. Mary worked at a factory in New York State and she toiled hard and for long hours. She had grumbled ever since the day she started to work at the rapacity of the capitalistic owners who paid her such a puny wage. This evening Mary was elated because the Governor of the State had just signed the bill which decreed that woman should be paid a minimum wage and this amount was greater by far than what she had been receiving. At last the great political law-making power had put teeth into a law which would protect the working woman!

A few weeks later Mary was fired. The reason was that since there was no minimum wage scale for men, and because thousands of men were out of work, the factory was able to replace their women workers with men.

When this news spread throughout the working groups, a delegation visited the state assemblyman of the district, who was elected by the votes of these good people, and he at once undertook to have a law passed which fixed minimum wages for both men and women. The law-maker met with success and the law was passed.

In the meantime, Mary's brother John had accepted a job at the factory where Mary formerly worked. Thus, when the news reached the family about this new law,
there was great rejoicing all over again. The family settled down to a kind of mental stability. Worry about the immediate future was banished.

A week or two later, another bomb burst in the Dugan household. The owners of the factory found it advisable to move over to New Jersey where there were no minimum laws. The Dugans were forced into making application to the community for unemployment relief and again all was confusion and uncertainty.

During a period of great depression and unemployment it is inevitable, under the system of a price for labor, governed by the law of supply and demand, that terrible individual injustices should occur. As the New York Herald-Tribune has editorially commented:

Every one must sympathize with their aim (the laborers) for conditions are unquestionably bad. The reports of that highly useful organization, The National Consumers' League, make lugubrious reading. The low-grade, vicious employers, weak financially and morally, are taking advantage of unemployment to exploit the needy. Sometime ago we commented upon the results as they affected children. Here seemed to us a clear case for action, since the bulk of these exploitings were plain violations of existing law.

There have been more economic books, magazine articles, and monographs written upon minimum wage plans than any other phase of industrial problems. From the time of the Industrial Revolution in England down through the formation of trade unions which established minimum wages for their trades, there has
been a constant delusion regarding the human and economic forces governing such transactions. The error always lies with the attitude of the sympathizer of labor in its humanitarian aspects.

Well meaning “columnists” and social workers write reams of sob stories and bewail the inevitable selfish attitude of the employer and, so far as working conditions are concerned, these uprisings of reformers have resulted in great advancements. But all such advancements were found to be in the interest of the employer and helped reduce his costs of production. The most lucid and clear account of the evolution of such reforms is given by Mr. James Truslow Adams in his popular book *The Epic of America*. The recriminations of the Northern Yankee industrialists, who were exploiting foreign labor, against the Southern planters, who were exploiting slave labor, is a ludicrous episode in American history—the pot calling the kettle black.

The inevitable working out of the law of supply and demand as applied to labor is seldom considered by the theorist. He suffers the delusion that such a system controlled by law, or trade union plan, or other means, can be applied even when conditions are such that the laborer is close to starvation. A hungry man will fit into the supply and demand phases of our profit-economy system irrespective of all laws, safeguards, and supervision. The employer, under our profit-economy system, will buy his labor at the lowest possible pay so that the employer, may continue to live and carry on his business. Humanitarian aspects of the problem are well observed when profits are roll-
ing in and, in good times, the Mary and John Dugans get along very well.

Critics of the present profit-economy system who wish to aid the Dugans have just ground for criticism. But their reforms do no more than to take away from the Dugans their possibility for any employment whatsoever. The reforms are not constructive since all the suggestions only result in contraverting the economic imperatives of the present system. And no new system has been suggested which is sure to work. Even the trade unions have discovered the fallacies of socialistic forms of existence and the reports from the communism and fascist states do not indicate that individual workers are any better off than under the present system. Yet, those who lived through the upheavals of former turbulent eras of ’73 and ’93 must recognize that great advancements have been made for the labor groups. The delusion remains for many, however, that statute laws can change the economic imperatives.

A greater delusion than the general minimum wage is that which applies to one class of persons such as women. In addition to the loss of a “job” by Mary Dugan, there is another fallacious aspect. Women can never progress in the working world if they are to be specially protected and set apart from men. The editor of the New York Herald-Tribune clarified this form of delusion aptly when he wrote:

Women simply cannot achieve such equality if they are to be hampered by such a statute as the minimum wage law. To be sure, the Supreme Court decision
makes any really effective wage law for women probably unconstitutional. The Massachusetts law merely provides for investigation and a publication of the facts where a concern is not paying "a living wage". This is constitutional but of doubtful value. At any rate, the chief drive at Albany is for the passage of a mandatory bill which would give a commission power to enforce its decree as to a fair minimum wage after a given interval. There can hardly be a doubt that such a law, in the present chaotic condition of the labor market, would simply cause a number of women to lose the jobs they had—to be replaced by men who were free to bargain for work at any wage level they wished to in the present emergency.

Until there is a definite, clear recognition of the present economic imperative of the application of the supply and demand feature, all tampering with theories of control of wages is ineffective dreaming. One must be a realist under stress of an era of credit deflation. The individual problems of Mary Dugan are beyond legal aid. All of the 549 pages of Professor Solomon Blum's Labor Economics (published 1925) with its 12 pages of bibliography, may be kept in the attic among unused books, until an era of credit expansion and large profits returns—if it does. In which case Professor Blum's book may be resurrected and its findings will be quite applicable. Only by that time, unless they have starved to death, the academic findings of minimum wage, social insurance, and unionism will have undergone violent readjustment.