Review of the Book *Minimum Wage Regulation in the United States*

Ronald G. Ehrenberg
*Cornell University, rge2@cornell.edu*

Follow this and additional works at: [http://digitalcommons.ilr.cornell.edu/articles](http://digitalcommons.ilr.cornell.edu/articles)

Part of the [Labor Economics Commons](http://digitalcommons.ilr.cornell.edu/articles), and the [Labor Relations Commons](http://digitalcommons.ilr.cornell.edu/articles)

Thank you for downloading an article from DigitalCommons@ILR.

Support this valuable resource today!

---

This Article is brought to you for free and open access by the ILR Collection at DigitalCommons@ILR. It has been accepted for inclusion in Articles and Chapters by an authorized administrator of DigitalCommons@ILR. For more information, please contact hlmdigital@cornell.edu.
Review of the Book *Minimum Wage Regulation in the United States*

**Abstract**

[Excerpt] Why yet another book on minimum wages in the United States, especially one that follows so closely on the heels of the 1981 *Report of the Minimum Wage Study Commission* and parallel studies (including another one by Fleisher) sponsored by the American Enterprise Institute? The author’s goal here is to evaluate minimum-wage regulation in light of its benefits and costs as an antipoverty device; and most of his book is based on his interpretation and evaluation of the existing literature, including the large body of recent research. The book is written in a nontechnical fashion for nonspecialists (frustrated econometricians will search in vain for an equation or even a Greek symbol), and the author succeeds quite well in keeping the writing lively and in presenting a well-reasoned argument. One would have expected no less from the co-author of a well-written textbook in labor economics.

**Keywords**

minimum wage, regulation, poverty, United States

**Disciplines**

Labor Economics | Labor Relations

**Comments**

**Suggested Citation**


**Required Publisher Statement**

© Cornell University. Reprinted with permission. All rights reserved.
ATTRIBUTABLE TO THE ENTHUSIASM OF THE AUTHORS AND THEIR DESIRE TO GAIN CONVERTS. THUS, THEY CRITICIZE MANY OF THE STATISTICS USED BY THOSE WHOSE VIEWS THEY OPOSE, CITING SOME OF THE WELL-KNOWN PROBLEMS WITH SUCH BASIC DATA AS THE UNEMPLOYMENT RATE AND THE GROSS NATIONAL PRODUCT. BUT THEIR OWN ANALYSIS AND USE OF DATA ALSO PRESENT MANY PROBLEMS AND INCONSISTENCIES. FOR EXAMPLE, THEIR ANALYSIS OF THE EMPLOYMENT EFFECTS OF VARIOUS HEALTH AND SAFETY IMPROVEMENTS IS EXTREMELY SIMPLISTIC, BASED ON AN IMPLICIT PARTIAL-EQUILIBRIUM MODEL. ON THE ONE OCCASION WHERE THEY ENGAGE IN A MORE GENERAL ANALYSIS, THEY SEEM TO CONTRADICT THEMSELVES. THEY ARGUE THAT THE CANCELLATION OF A GIVEN PROJECT DOES NOT NECESSARILY COST JOBS BECAUSE THE MONEY SAVED CAN BE SPENT ELSEWHERE, BUT THEY SEEM UNAWARE THAT THE SAME LOGIC SAYS THAT ENVIRONMENTAL REGULATION MAY NOT CREATE JOBS BECAUSE THE MONEY USED TO PROTECT THE ENVIRONMENT MIGHT HAVE BEEN SPENT ELSEWHERE.


IN MANY WAYS, THE LOGIC OF THIS BOOK IS MORE SUITABLE AS AN OVERALL CRITIQUE OF MATURE CAPITALISM THAN AS A TREATISE ON ENVIRONMENTAL ISSUES. AS A CRITIQUE OF MODERN CAPITALISM, FEAR AT WORK MAKES A POWERFUL, SOPHISTICATED, AND COMPPELLING CASE THAT CORPORATE CONTROL OVER JOBS IS INIMICAL TO "DEMOCRATIC CONTROL" OF THE ECONOMY. ALTHOUGH THE AUTHORS DO NOT SEEM TO CONSIDER THEMSELVES MARXISTS, THE ANALYSIS HERE IS MARXIAN IN THE VERY BEST SENSE OF THAT TERM.

THERE IS LITTLE HERE IN THE CRITIQUE OF CORPORATE AND GOVERNMENT BEHAVIOR WITH WHICH A MODERN MARXIST WOULD FEEL UNCOMFORTABLE. THE NOTIONS THAT HISTORY IS WRITTEN FROM THE PERSPECTIVE OF THE POWERFUL, THAT GOVERNMENT SERVES THE INTERESTS OF CORPORATE FINANCE, AND THAT EMPLOYERS OPPOSE ENVIRONMENTAL, HEALTH, AND SAFETY REGULATION (AND UNIONIZATION AS WELL) BECAUSE THEY PERCEIVE A THREAT TO THEIR UNILATERAL CONTROL OVER THE WORKPLACE ARE ALL PART AND PARCEL OF THE BEST AND MOST INSIGHTFUL OF CONTEMPORARY RADICAL ANALYSIS.

IN FACT, THE THING WHICH IS ULTIMATELY UNSATISFYING ABOUT THIS BOOK IS THAT IT STOPS HALFWAY. HAVING MADE A FAIRLY COMPELLING BUT THOROUGHLY RADICAL CRITIQUE OF MATURE CAPITALISM, THE AUTHORS PROPOSE A NONRADICAL, COMMONPLACE SOLUTION: WORKERS AND ENVIRONMENTALISTS JOINING TOGETHER TO SEEK FULL EMPLOYMENT AND ENVIRONMENTAL PROTECTION VIA LEGISLATION AND LOCAL ACTION. CERTAINLY THERE ARE EXAMPLES OF SUCH COALITIONS THAT HAVE BEEN SUCCESSFUL; BUT AS MARX AND LENIN PREDICTED, UNDER CAPITALISM WORKERS WILL HAVE SMALL, SPORADIC VICTORIES. THE REAL QUESTION IS WHETHER "DEMOCRATIC CONTROL" OF ECONOMIC LIFE CAN BE MADE TO COEXIST WITH PRIVATE ENTERPRISE. KAZIS AND GROSSMAN SEEM TO THINK IT CAN, BUT A MORE LOGICAL DEDUCTION FROM THEIR ANALYSIS OF CORPORATE AND GOVERNMENT BEHAVIOR MAY WELL BE THAT IT CANNOT.

CLIFFORD B. DONN
ASSOCIATE PROFESSOR AND CHAIRPERSON
DEPARTMENT OF INDUSTRIAL RELATIONS
LE MOYNE COLLEGE


WHY YET ANOTHER BOOK ON MINIMUM WAGES IN THE UNITED STATES, ESPECIALLY ONE THAT FOLLOWS SO CLOSERLY ON THE HEELS OF THE 1981 REPORT OF THE MINIMUM WAGE STUDY COMMISSION AND PARALLEL STUDIES (INCLUDING ANOTHER ONE BY FLEISHER) SPONSORED BY THE AMERICAN ENTERPRISE INSTITUTE? THE AUTHOR'S GOAL HERE IS TO EVALUATE MINIMUM-WAGE REGULATION IN LIGHT OF ITS BENEFITS AND COSTS AS AN ANTIPoVERTY DEVICE; AND MOST OF HIS BOOK IS BASED ON HIS INTERPRETATION AND EVALUATION OF THE EXISTING LITERATURE, INCLUDING THE LARGE BODY OF RECENT RESEARCH. THE BOOK IS WRITTEN IN A NONTECHNICAL FASHION FOR NONSPECIALISTS (FRUSTRATED ECONOMETRICIANS WILL SEARCH IN VAIN FOR AN EQUATION OR EVEN A GREEK SYMBOL), AND THE AUTHOR SUCCEEDS QUITE WELL IN KEEPING THE WRITING LIVELY AND IN PRESENTING A WELL-REASONED ARGUMENT. ONE WOULD HAVE EXPECTED NO LESS FROM THE CO-AUTHOR OF A WELL-WRITTEN TEXTBOOK IN LABOR ECONOMICS.

AFTER AN INTRODUCTORY DISCUSSION OF THE POLITICS OF WHO SUPPORTS MINIMUM-WAGE LEGISLATION, THE MAJOR CHAPTER IN THE BOOK EXAMINES THE THEORY AND EMPIRICAL EVIDENCE REGARDING THE POSSIBLE ADVERSE EFFECTS OF MINIMUM-WAGE LAWS. DISCUSSED HERE ARE EFFECTS ON EMPLOYMENT (IN THE AGGREGATE AND FOR PARTICULAR DEMOGRAPHIC GROUPS), ON SCHOOLING AND ON-THE-JOB TRAINING, AND ON FRINGE BENEFITS AND WORKING CONDITIONS. FLEISHER ALSO CONSIDERS THE EXTENT OF NONCOM-
pliance with the law. Over half of the empirical
discussion centers on effects in retail trade and
the restaurant industry, reflecting, obviously, the
interests of the sponsor of the study.

Shorter chapters analyze evidence of mini­
mum-wage effects on unemployment and infla­
tion, and on poverty. Regarding poverty, the
author concludes that increases in the minimum
wage do not substantially affect the number of
low-income families, primarily because the cor­
relation between being a low-wage worker and
being in a low-income family is not very high.
(It is, however, much higher for nonwhites, a
fact the author neglects to mention.)

Since Fleisher views a reduction in poverty as
the major potential benefit of the legislation,
one might wonder why the discussion on this
topic is so brief. The answer is that economists
in general have historically done little research
on the income-distribution effects of minimum­
wage laws, focusing their attention instead on
the laws' unintended consequences. After over
40 years of research, the time probably has come
for the profession to redirect its attention to
measuring the potential positive effects of the
laws, as well as its negative ones.

Fleisher's analysis of the evidence leads him
to conclude that the nominal minimum wage
should be held constant, so its real value will
erode over time; the minimum wage should not
be indexed to the price level; it should include
no youth differential; and full credit for
employees' tip income should be given to res­
taurant employers in imputing the wage pay­
ments they are required to make under the
minimum-wage law. The first two conclusions
follow directly from the author's belief that min­
mimum wages reduce employment opportunities
and do not significantly reduce poverty. The
third, which so upset the sponsors of the book
that they wrote a disclaimer (p. 4), was drawn
from his concern that employers might react to
a youth differential by substituting youth
employment for adult employment, thereby
worsening the employment prospects of low­
wage adult workers. The final conclusion, which
is justified in detail in the book, probably would
be supported by more people if they were sure
that employers' reports of workers' tip income
were actually equal to what the workers received.
Unfortunately, Fleisher does not consider the
possibility that this proposal increases employ­
ners' incentives to exaggerate tip income.

Save for its empirical emphasis on the restau­
rant and retail trade industries, this excellent
paperback could be logically viewed as an
updating of Sar Levitan and Richard Belous's
More Than Subsistence: Minimum Wages for the
Working Poor (1979), which summarized the pol­
icy conclusions that could be derived from min­
imum-wage research as of the late 1970s.

Strikingly, the two books come to quite different
conclusions about the usefulness of minimum­
wage laws. In part, this contradiction reflects the
improved information made available by
researchers during the past five years. It also
reflects, however, the diversity of some of the
research findings; indeed, as Fleisher himself
notes, "Others have found it possible to draw
conclusions opposite to those in the report from
some of the results of this research" (p. 77). I
suspect that the contradictory findings are also
a result of differences between the underlying
philosophical approaches to the analysis of labor
markets represented in these two books.

Read this short book; it's well worth the effort.
But be aware that what we know about the effects
of various social programs and legislation,
including minimum-wage laws, is often not
totally unambiguous and is subject to differing
interpretations.

Ronald G. Ehrenberg

Professor
New York State School of
Industrial and Labor Relations
Cornell University

Safety at Work and the Unions. By P. B. Beau­
$25.25.

Unions have exhibited a healthy skepticism
about the efficacy of market forces in safety and
health matters. The union rhetoric preaches the
sanctity of human life and limb and how these
should not be evaluated in economic terms. Yet
the labor movement exhibits some ambivalence
about this subject. If a dedicated market theorist
sat down with union leaders to explain why nei­
ther government intervention nor workers'
compensation legislation is necessary, they would
be incredulous. When it comes to practical
applications at the workplace, however, eco­
nomic considerations are never far removed
from the mind of a union leader. Differentials
are negotiated for especially hazardous work,
while there may be differential enforcement of
safety codes depending on the individual firm's
economic prospects. Increased risk may be toler­
ated by unions if the alternative is a plant
shutdown. In quite opposite situations, union
leaders may grossly exaggerate the dangers of
a job process to increase staffing, shorten hours,