Sticky Labels

by Robert Gear (February 2018)

Lunch Time, Francis De Erdely

Generally speaking, a bumper sticker is an adhesive label for which the owner expends money and some small effort in order to maintain or improve on their current level of publicly displayed virtue. Bumper stickers emerging from the enveloping fog of virtue signaling provide a small and perhaps growing subset of the left/liberal set of virtue gestures. They are also a subset of bumper stickers in general, whose sense can run the gamut from reasonably humorous (*Carpe Diem, Mañana*) through vulgar, to very much in need of clarification (War is Not the Answer) and finally to completely opaque (Follow Your Bliss). A favorite of mine, since it encapsulates adroitly what Thomas Sowell calls the "Vision of the Anointed," is the slogan "COEXIST" followed by symbols of the world's major religions. Note to the anointed: you understood the odd one out ("one of these things is not like the others") when you were deposited at an early age in front of *Sesame Street* whose targeted demographic is 3 to 6 year olds. This is not difficult. So you should be able to understand that one of the things in the COEXIST sticker *is not like the others*. Can you guess which one? Hint: it is the one which does not wish to, in fact, *cannot* coexist.

Another favorite of our betters is a label signaling the solemnly held belief that minimum wage rates should be hiked up to a “living wage.” The throngs yearning after this *ignis fatuus* adorn the rear ends of their vehicles with variants of this tag advocating economic lunacy. This is a demand from people who might really benefit from an increased hourly wage, the unskilled among them, as well as from those who are dedicated middle-class bores who believe their best chance of garnering admiration is to megaphone their hatred of those who disagree with them.

What do they see when they peep out from the balcony of their untethered gravitationally-challenged island? Clearly, they do not consult Frederick Bastiat’s counsel penned in his economic 1848 masterpiece *What is Seen and What is Not Seen*,

> There is only one difference between a bad economist and a good one: the bad economist confines himself to the visible effect; the good economist takes into account both the effect that can be seen and those effects that must be foreseen . . . the bad economist pursues a small present good that will be followed by a great evil to come, while the good economist pursues a great good to come, at the risk of a small present evil.

Since the world is complex no one can foresee the full effects of his or her actions, and the consequences of actions in the economic sphere are often opaque. This was well-known even before the rise of Chaos Theory into popular consciousness.

Take, for example, René Chateaubriand’s posthumously published *Memoirs from Beyond the Tomb* (1849) which relates that

> there are two consequences in history: one immediate and instantaneously recognized; the other distant and unperceived at first. These consequences often contradict each other; the former come from our short-run wisdom, the latter from long-run wisdom.

In fact, often what Chateaubriand calls “short-run wisdom” may sometimes be considered wisdom only in the most calculated and cynical way. Many at the more calculating end of the left and their media stooges understand this, even as they get on their high horse about wage levels. None of this is difficult, but clearly, certain inmates of the mind-shackling zeitgeist have developed an immunity to facts.

In point of fact, the problem with wage controls has been understood since observations of the Salamancan scholastics in the 16th and early 17th Centuries. The last of the great Salamancan scholastics, Leonard Lessius (a Flemish contemporary of Shakespeare, but with a bit of lifespan at both ends), observed closely the market workings in sixteenth-century Antwerp, then the commercial and financial center of northern Europe. He understood well the true value of wages and the labor market, and sagely revealed that wages are governed by the same supply and demand principles as prices.

Murray Rothbard in his magisterial *The Austrian Perspective on the History of Economic Thought* neatly summarizes the arguments thus

> In asking what is the "minimum justifiable wage" for any given occupation, Lessius declared that the existence of other people willing to perform the work at any given wage shows that it is not too low. In short, if a supply exists for the labor at that wage, how can it be unjust?

Unfortunately, these lessons were largely ignored or dismissed (by Adam Smith and David Ricardo among others) until marginal productivity theory was brought back into the light by Austrian school economists and other neoclassical economists towards the end of the nineteenth century.

At the risk of "zoning out" some readers, here are the essential points. If a wage level is forced by government diktat or threat of union action or even violence, and is greater than the marginal productivity of the employees under consideration, then several negative consequences follow.

First, *employers* may suffer adversely. Yes, large corporations can absorb higher forced wages because their profit margins are generally greater than those of small businesses. They can also pass on the higher overheads to consumers. But it is the smaller business concerns or those which are barely breaking even that will be hurt most when governments and other interested parties dictate wage levels. Many will lay off staff or simply declare bankruptcy. In this case *employees* are also economically harmed. Those who join the ranks of the laid off may find work in the underground economy, you know—drug dealing, human trafficking, prostitution and so forth—at least a kind of entrepreneurial existence.

Oh, I almost forgot the fourth category. This consists of the *never-employed.* After all, why employ someone with no work experience who cannot contribute at the government-set wage level?

Anecdotally, the father of a near acquaintance of mine owned a clothing store. He employed two full-time staff plus one or two part-timers. When the wage minimum was raised under an idealistic, perhaps not wholly bad, but sexually incontinent, amphetamine-dependent and disease-addled former US president (dead these many years), the owner made the painful decision to lay off these workers in order to stay in business. Result: 3 or 4 unemployed workers. So my acquaintance—along with a sibling and mother—had to work in their place *unwaged*. And of course, these three might have acquired *paid* low-level jobs elsewhere or spent their leisure hours in some other productive activity. Such anecdotes are doubtless as plentiful, and as annoying to some, as dandelions on a carefully prepared lawn; and remember, the plural of anecdotes is *data*.

And what of those employees who are laid off because their productivity adds less value to the company than the level of wages they are *forced* to receive (i.e., when they are not legally permitted to work for less)? If lucky, they will find work elsewhere at a business that can afford to pay (at least temporarily). But this comes to the nub of the "unforeseen consequences." As mentioned above, companies which can bear the costs of having to pay higher wages will naturally pass on the costs in their products and services. Therefore, *consumers* will have to fork out more wampum, and other things being equal, those who are unemployed or on lower wages will have to pay a greater proportion of their income for the products and services they still consume.

Milton Friedman, in *Capitalism and Freedom*, put it like this:

> The effect of the minimum wage is therefore to make unemployment higher than it otherwise would be. Insofar as the low wage rates are in fact a sign of poverty, the people who are rendered unemployed are precisely those *who can least afford* (italics added) to give up the income they had been receiving . . .

Much of this was understood even by those who later promulgated wage floors. To illustrate this viewpoint, Ludwig Von Mises in *Human Action* quotes the words of William Beveridge in 1930, the potential effect of “a high-wages policy” in causing unemployment is “not denied by any competent authority.” But when the *The Beveridge Report* was published in 1942, this exponent of the New Jerusalem had seemingly forgotten his earlier admonitions. This report provided the blueprint for the post war UK Welfare State, and in Mises’ words Lord Beveridge became an “an enthusiastic advocate of government and union meddling with the labor market.”

Perhaps less well known is the fact that minimum wage laws were tailored to keep minorities and other perceived misfits (who tended to be less skilled) *out* of the labor market.

Listen, for example, to Sidney Webb (as quoted in Jonah Goldberg's *Liberal Fascism*), a major player in British Fabian Socialism. "Of all the ways of dealing with these unfortunate parasites, the most ruinous to the community is to allow them unrestrainedly to compete as wage earners." Webb's views were commonplace among liberal/left elites on both sides of the pond; but cataloging can be tedious, and interested readers can visit the internet or their local libraries for more of this.

But whether intended or not, the results have had spectacular "success" in maintaining and increasing black unemployment. Milton Friedman pointed out in 1966 that the Minimum Wage Law was "the most anti-Negro law on our statute books." In fact, even during the latter part of the nineteenth century unions had campaigned for such laws in order to block relatively unskilled blacks from competing for work on the railways. Still, by1930, according to Amity Shlaes in *The Forgotten Man* (citing US Census data), black unemployment was generally *lower* than that of whites. However, a series of laws culminating in the Fair Labor Law of 1938 entrenched minimum wages and eventually succeeded in pricing black workers out of many jobs. And so it went on. For example, blacks were heavily employed in farming since no minimum wage law applied to this work. But in 1967 the minimum wage law was extended to agricultural workers—an area of employment not yet subject to wage regulation. And you can guess the rest.

But try telling any of this to individuals marooned in radical unthought. From their thrones on Laputa they might entertain us by corkscrewing themselves into the nearest solid surface with the complexion nearing that of the royal purple in which they imagine themselves swathed. Recall also that the elites of Laputa, as described by Gulliver, became so lost in thought that each was escorted by a "clapper" who regularly hit them on the head with a bladder full of dried peas or pebbles. This was supposed to bring them back to the level of mundane functioning. Hmm, now that's a thought. Many university administrators and professors in Departments of Humanities are in desperate need of clappers. The only downside would be that university administrations would require even greater dollops of our tax money to pay for such a useful service. But if it weren't for government interference, there are many here among us who would provide a complimentary service—and with relish. Think of the unalloyed joy to be had by functioning as a clapper in attendance to, for example, the Vice Chancellor and Assistant Vice Chancellor for Equity, Diversity and Inclusion and any institution of Higher Learning.

My own bumper sticker would say "Minimum Wage: a BAD Idea." Oh, wait a minute—ha, ha—just joking. I wouldn't display such a label in public, partly because I don't want my vehicle to be keyed by those who promote peaceful coexistence. Another idea for a bumper sticker might be "The Religion of Peace Sucks," but then I might not stay alive long enough to finish this sen—

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More by Robert Gear here.

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