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| POL 304 |
| Examining Tensions in American Liberal Republicanism: The Minimum Wage |
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The federally mandated minimum wage has been a divisive political issue in American politics since it first came into effect in 1938 under the Presidency of Franklin D. Roosevelt. FDR advocated for the minimum wage with the argument that “all but the hopelessly reactionary will agree that to conserve our primary resources of manpower, government must have some control over maximum hours, minimum wages, the evil of child labor, and the exploitation of unorganized labor” (Greene 2013). This idea led to the passage of the first minimum wage law in American history, twenty five cents an hour (Greene 2013). Prior to the passage of this law, several state minimum wage laws had been struck down as an unconstitutional prohibition of workers’ rights to set the price for their own labor. However, in 1941, the Supreme Court case *U.S v Darby Lumber Co* upheld the federal minimum wage, overturning the precedent it had set for state level minimum wages. The Court dismissed the argument that Darby Lumber did not engage in interstate commerce based on the commerce clause and stated that Congress had the constitutional right to regulate interstate commerce, along with intrastate commerce that directly affected interstate commerce (U.S v Darby Lumber Co.1941). Justice Stone, writing for the majority stated that Congress

“May chose the means reasonably adapted to the attainment of the permitted end (the minimum wage) even though they involve the control of intrastate activities. Such legislation has often been sustained with respect to powers other than the commerce power granted to the national government, when the means chosen, although not themselves within the granted power, were nevertheless deemed appropriate aids to the accomplishment of some purpose within in an admitted power of the national government (U.S v Darby Lumber Co. 1941).

Ideological Foundations of the Debate

The issue of raising the minimum wage has often come to the forefront over the seventy plus years since this decision. Although, the constitutionality of the federal minimum wage is now long cemented in Supreme Court precedent, this paper will examine the current tensions between classically liberal and classically republican ideologies with regards to the minimum wage. In doing so, several questions will be addressed. These include the current status of the minimum wage, the classically liberal and classically republican outlooks on the principle of the minimum wage, and the inherent tensions between these ideologies with regards to what ought to be the case in terms of the minimum wage. Also, this paper will examine how progressive Democrats and conservative Republicans have gravitated towards distinctly different ideologies in the modern era. In addition, this author will put forth a potential minimum wage plan that attempts to reconcile some of the unavoidable tensions that occur between classical liberals and classical republicans when discussing a change in the federal minimum wage.

The Current Status of the Minimum Wage: What is the Case?

The status quo surrounding the minimum wage leaves many on both sides of the liberal republican spectrum unhappy. This frustration, with what President Obama would call an “unjust status quo” partially explains why the minimum wage has come to the forefront currently. The current federal minimum wage is $7.25 an hour (Rampell 2013). Even working forty hours a week for 52 weeks a year, which many minimum wage employees do not do given that they are often part time and forced to work less hours, this amounts to just over 15,000 dollars a year before social security and other payroll taxes are taken out. Although, many people with this small of an income do not pay federal income tax, even the little they pay in payroll taxes cuts into their take home earnings significantly (Sahadi 2013). Obama and others on the classically republican side of the spectrum would classify a worker working full time but still living near or below the poverty line as a manifestation of disorder. They draw on the philosophy of classically republican thinkers like James Harrington, who believed that a strong middle class must exist in order for a democratic society to thrive. On the opposite side of the argument, classical liberals are vehemently opposed to a minimum wage increase and relatively opposed to minimum wages in general. Steven Landsberg (Landsberg 2004) argues that the minimum wage is really a transfer of wealth tax that “places the entire burden on one small group: the employers of low wage workers and, to some extent, their customers”. This argument is rooted in classical liberalism, what would be known today as modern conservatism, and the idea that the free market ought to govern how much employers pay their workers. It draws on the ideas of John Locke and his idea that wealth will naturally be held by the industrious and that “government has no other end, but the preservation of property.” These opposing ideas illustrate the tensions in liberal republicanism in America, particularly with regards to the minimum wage, because classical liberals and classical republicans see two opposite manifestations of disorder. While Obama and other classical republicans, or progressive Democrats, see income inequality and poverty for low wage workers as great manifestation of disorder, classical liberals such as Landsberg argue that the manifestation of disorder is forcing employers to pay higher wages than the market would ask for. With these very different ideas on the role of government and how it should operate in society, it is easy to see why tensions occur so frequently in American liberal republicanism.

Another issue surrounding the case of the minimum wage as it stands today is the effects that raising the minimum wage will have on the American economy. Again opinion is split between conservative Republicans and progressive Democrats. The modern day conservative argument is that raising the minimum wage will cause employers, such as fast food restaurants, to cut hours for employees and cause some to “lose their jobs” (Nicklaus 2013). Other arguments conservatives make include that a minimum wage hike will increase the 21% unemployment rate of teenagers and that “anyone who cares about young people should oppose a higher minimum wage” (Nicklaus 2013). Further, conservatives say increasing the minimum wage would drive down demand if employers must pay a higher wage, raising prices and also killing small business that would not be able to absorb the higher costs of labor. However, classical republicans argue that minimum wage increases would not kill jobs and that many employers would be able to easily absorb the costs of paying workers a higher wage. Professor of public policy at the University of Massachusetts, Christopher Weller argues that raising the minimum wage would only increase prices .21% a month, which is only a hundredth of a percent more than they have risen per month since June 2010 (Weller 2013). Classical republicans also argue that given minimum wage workers currently account for only 1.6 percent of the existing earnings in the American economy, a minimum wage increase would actually help stimulate demand rather than diminish it as those workers have the ability to become more active buyers in the American economic system. The tensions in liberal republicanism are again evident when analyzing the opposing views on the minimum wages effect on the economy. Like the unjust burden hypothesis put forth by Landsberg, the classically liberal view emphasizes that too much pressure will be placed on businesses and that minimum wage workers will be negatively affected in the form of job loss. Further, modern day conservatives again focus on perceived manifestations of disorder, such as teenage unemployment, whereas classical republicans or modern day progressives would likely see teenage unemployment as less of an issue than poverty level wages. In fact, underlining the extreme disagreements that exist, modern day progressives would say that a minimum wage increase would likely help the economy in the long run.

Unfortunately, economists also struggle to reconcile the differences about the effects of a minimum wage increase on the economy. A study by University of California Berkeley economists David Carr and Alan Krueger supports the classically republican view that minimum wage increases do not negatively affect rates of employment, price levels, or store openings of businesses that employ low wage workers (Carr and Krueger 1994). Carl and Krueger’s case study analyzed the performance, employment, and price levels of fast food restaurants in New Jersey, where the minimum wage was raised to $5.05, against fast food restaurants in Eastern Pennsylvania where the minimum wage had remained at only $4.25 an hour (Carl and Krueger 1994). Their conclusion contradicts the classically liberal notion that a rise in the minimum wage necessitates a fall in employment and went on to “find that the increase in minimum wage increased employment” in New Jersey’s fast food restaurants (Carl and Krueger 1994).Carl and Krueger’s analysis of the minimum wage marked a significant victory for those supporting increases in minimum wages. However, economists have also supported classically liberal arguments against any increase in the minimum wage. David Neumark’s and William Wascher’s project which looked at over a hundred studies on the minimum wage concluded that “raising the minimum wage leads to economic distortions and often has unintended adverse consequences for the employment opportunities of low skill workers” (Neumark and Wascher 2006). They argue that these economic distortions are enough of a reason to oppose the minimum wage but also believe that raising the minimum wage could also hurt low income workers. As these examples illustrate, even economists cannot agree on the best course of action with regards to the current status of the minimum wage. Should the United States even have a minimum wage? Is it too high or too low? What effect does increasing it have on the overall economy? All of these questions are addressed differently by classical liberals and classical republicans. The next portion of this paper will attempt to tackle what classical liberals and classical republicans feel ought to be the case in terms of the minimum wage and how they plan to get there.

Classical Liberalism and the Minimum Wage: What ought to be the case? and How do we get there?

Given that classical liberalism and modern day conservatism derives its general principles from free market thinkers such as John Locke, Adam Smith, and Arthur Laffer; it is unsurprising that some classical liberals propose that there ought not to be any minimum wage whatsoever. Perhaps America’s most visible conservative thinker, George Will, argues that “the minimum wage should be the same everywhere: $0. Labor is a commodity; government makes messes when they decree commodities prices. Washington, which has its hands full delivering the mail and defending the shores, should let the market do well what Washington does poorly” (Will 2007). This thought by Will is essentially articulating the ideas of John Locke in a modern American context. While Will grants that a nonexistent minimum wage is “a good idea whose time will never come again,” his thought process is a well articulated version of the modern conservative’s customary view regarding the minimum wage: what should be the case is that it ought not to exist (Will 2007). Aside from Will’s purely free market argument, the classical liberals of modern society also contend that a minimum wage should not exist because it kills jobs and negatively effects businesses that create jobs. Even Obama economic advisor, Christina Romer, states “that basic competition can be very effective at preventing businesses from misbehaving. If every other store in town is paying workers $9 an hour, the one offering $8 will find it hard to hire anyone- perhaps not when unemployment is high, but certainly in normal times” (Romer 2013). This argument again draws on the classically liberal ideal that the market will pay workers what they contribute to their employer’s bottom line. In the classically liberal version of the good society, minimum wages need not exist because the market will ensure that fair wages are paid to employees. In fact, the most radical classical liberals and modern conservatives, perhaps George Will, would argue that the minimum wage is a manifestation of disorder in society; a case of government overreach that disrupts the natural trends of the market and causes the fruitful and the industrious to subsidize low wage workers.

Given that it is politically and constitutionally unlikely for the minimum wage to be zero in the modern era, those identifying with Will and the classical liberals of American society have to resort to trying to prohibit the minimum wage from increasing anymore than it already has. The arguments against increasing the minimum wage are essentially the same as those against having it at all: raising the minimum wage kills jobs, hurts businesses, and raises prices for consumers. Speaker of the House, John Boehner, put it in the simplest of terms arguing against the Obama administration’s proposed minimum wage increase saying “when you raise the price of employment, guess what happens? You get less of it. Why would we want to make it harder for small employers to hire people?” (Greene 2013). This argument, though vastly oversimplified, does get at the crux of what modern day conservatives believe is the problem with raising the minimum wage. Several pieces of this statement also illustrate the tensions that occur within American liberal republicanism surrounding the minimum wage. Boehner‘s view is that given business’s employ workers and pay them wages, they should have as much room as feasibly possible to decide on those wages given market conditions. He also dismisses any notion that businesses, particularly small ones, could absorb a wage hike because of his adherence to free market economic principles. Again, the issue remains that classical liberals and classical republicans see different manifestations of disorder at play when they analyze the minimum wage. In addition, classical liberals do not see a moral duty with regards to raising the minimum wage. In the minds of modern day conservatives, the healthy operation of the free market without government interference trumps any perceived moral duty to help the American poor escape their plight. Some, such as Paul Ryan, would argue that the American poor are actually hurt by the minimum wage and other transfer payments such as Medicaid because they create a culture of dependency.

Despite strong ideological opposition to a minimum wage or the increase of the minimum wage, some modern American thinkers of classically liberal leanings have proposed other options that do take into account the plight of low wage workers. Essentially, these thinkers argue that alternatives to the minimum wage have the ability to help low wage workers without putting the financial burden on their employers. Romer, who is not a classical liberal but opposes a minimum wage hike, offers up several of these options, including universal pre kindergarten education to defray childcare costs and a higher earned income tax credit, which she posits would also increase employers incentive to hire workers (Romer 2013). This idea, keeping the minimum wage at its current rate while enacting other policies to help the poor, is the modern day conservative answer to moving American society closer to the ideal society; one with a middle class that has earned its way up the economic ladder. However, the Earned Income Tax Credit (EITC) in its current form is a weak way of raising the standard of living for the working poor. The maximum amount of income a married couple with multiple children can have and still receive an EITC is 50,000 dollars a year (IRS 2012). A single worker without children can earn no more than $13,900 dollars a year, and on average would receive a maximum benefit of 475 dollars (IRS 2012). Additionally, since the EITC is capped at 16% of income for married couples with one child, it is always beneficial to have one dollar more of wages. Therefore, in order for the EITC to be a valuable counterargument to the minimum wage, it would need to be adjusted so that the EITC would amount to a higher total dollar amount than the wages that could be made if the minimum wage were increased by any amount. Romer advocates for this type of increase in the EITC.

In contrast to Romer’s views, modern day American conservatives are not united behind this proposal. While some more moderate voices in the modern day conservative movement could get behind an increase in the EITC, many adhering to classical liberal ideology do not see income inequality as a manifestation of disorder. As notable conservative thinker Charles Krauthammer puts it, the days of high wages for unskilled workers are a phenomenon of the past; an anomaly not the norm (Krauthammer 2012). He argues that what President Obama calls “a race to the bottom” is actually “a race to a new equilibrium that tries to maintain employment levels, albeit at the price of some moderate wage decline” (Krauthammer 2012). In Krauthammer’s mind, classical republicans, modern day progressives, are being unrealistic with their expectations of wage levels, particularly in an era when the global free marked has rendered American manufacturing a skeleton of what it once was. Therefore, for many classical liberal thinkers in American politics today, there is no moving towards less income inequality; the status quo or regressing to a society with lower or no minimum wages is the only option in the classically liberal version of the good society.

Classical Republicanism and the Minimum Wage: What ought to be the case and how do we get there?

Classical republicans, or modern day progressives, are almost unanimously united behind raising the minimum wage in the United States. The leader of the pragmatic progressive movement, President Barrack Obama, threw his weight behind the minimum wage increase during his 2013 State of the Union address and more recently in his “Remarks on the Economy” speech, stating that the federal minimum wage should be raised to nine dollars (Rampell 2013). Since that point, others with classically republican ideals have come out in favor of a minimum wage increase and President’s Obama’s White House recently backed a Senate bill, proposed by Democratic Senators Tom Harkin and George Miller, that would raise the federal minimum wage to $10.10 an hour over the course of three years, while also indexing it to the rate of inflation (Rampell 2013). Proposals such as this one embody the ideals of classical republicanism and modern day pragmatic progressivism. These ideals are derived from the ideas of James Harrington and other classically republican political philosophers who believed that a robust middle class was a necessary precursor for the good society and that government has a duty to ensure that this robust middle class continues to exist for years to come. This reasoning is used by classical republicans of today’s era to justify raising the minimum wage because they argue it stimulates the economy and helps push families into the middle class by “increasing consumer demand” and “when consumer demand grows, businesses thrive, earn more profits, and create more jobs” (Dreier 2013). This simple statement summarizes the central economic argument for increasing the minimum wage from the perspective of modern progressives and is their idea of what ought to be the case in American society. Exploring these ideas further, classical republicans and classical liberals would likely agree on the fact that when demand grows jobs increase. Therefore, demand must remain high in order to be successful. However, the classical republicans disagree with the classical liberals on the method to achieve this aim; a rise in the minimum wage (classically republican) or a decrease in taxes (classically liberal).

Regarding the views of modern progressives and classical republicans, raising the minimum wage is a widely agreed upon answer to what ought to remedy the plight of the low wage workers. In fact, a recent Hart Poll showed that eighty percent of Americans agreed with raising the minimum wage in some form (Rampell 2013). However, the structural aspects of an increased minimum wage and how much it should be increased are more widely debated. One option, put forth by the fast food workers protest movement of 2013, would include increasing the minimum wage to fifteen dollars an hour, which Nick Hanauer argues would “inject about 450 billion dollars into the economy each year. That would give more purchasing power to millions of poor and lower middle class Americans, and would stimulate buying, production, and hiring” (Hanauer 2013). This increased wealth at the lower end of the economic spectrum is seen by classical republicans as a remedy to poverty and a way to grow the middle class in perpetuity. The most progressive politicians in American society today believe this idea will work because it will redistribute wealth from wealthy business owners to workers, who in turn will spend more money, and therefore stimulate the business community even while raising wages. However, many economists and politicians argue that a minimum wage of fifteen dollars is an unrealistic expectation that would have devastatingly negative effects on the American economy. Forbes Tim Worstall suggests that 45 to 50 percent of the average hourly wage is “our cut off point” for the minimum wage in the United States, and that to go above that level would harm workers because it would lead to higher unemployment (Worstall 2013). These opposing views again illustrate the tensions present in liberal republicanism regarding the minimum wage. While Hanauer believes that a higher minimum wage will stimulate spending and improve our collective society overall, Worstall argues that the market dictates that the minimum wage cannot rise above a certain level. This divergence even illustrates the differences that exist within classical republicanism and the modern day progressive movement. While both Hanauer and Worstall would not to be opposed to raising the minimum wage, they differ in what circumstances need to be present in order for an increase in the minimum wage to occur. These differences are central to why some modern day progressives have said that increasing the minimum wage to fifteen dollars an hour would simply be too great an increase and would cause other manifestations of disorder, such as an increase in inflation.

Another reason that classical republicans put forth for raising the minimum wage is a moral one. For classical republicans, one of the ways to strive for the good society is to instill a minimum wage to ensure that individuals in the society to fall below a certain economic level of economic security. President Obama articulated this moral argument in his 2013 State of the Union address when he declared that “in the wealthiest nation on Earth, no one who works full time should have to live in poverty” (Obama 2013). However, in his State of the Union address, Obama did not put forth a plan to raise the minimum wage to fifteen dollars an hour. As a pragmatic progressive with classically republican ideals, Obama wanted to forth a plan that would help improve collective economic security amongst low wage workers. However, he also wanted to put forward a pragmatic and politically feasible plan that had a chance of passing both houses of Congress; a task the fifteen dollar minimum wage would have very little chance of achieving. Therefore, Obama framed the issue as one of both moral fairness and sound economic policy by advocating for an increase of the minimum wage to nine dollars an hour (Obama 2013). Obama has since amended his position to support the Harkin-Miller bill in the Senate which would raise the minimum wage to $10.10 over the course of three years and then subsequently tie the minimum wage to the rate of inflation from there on after (Rampell 2013). It would also include tax sweeteners for small businesses, in an attempt to gain their support for a minimum wage increase (Rampell 2013).

The idea that the minimum wage should be raised for moral reasons is an obvious example of the tensions that remain in American liberal republicanism today. Moral reasons for raising the minimum wage are far from the minds of classical liberals and the modern day conservative movement. Their adherence to free market ideology blinds them from even considering a pragmatic moralist argument for raising the minimum wage. In fact some classical liberals argue that a minimum wage is immoral, thus attempting to justify their opposition to its increase. As Ari Armstrong argues, in a similar way to George Will, “the real minimum wage is zero” and he further states that minimum wage laws are immoral because they violate “individual’s right to property and contract” (Armstrong 2013). The central reason for the tensions in liberal republicanism is perhaps most evident when looking at both sides moral justifications for their positions. While Obama and classical republicans believe that the best way to achieve the good and moral society is by raising the minimum wage, Will and other classical liberals believe that the minimum wage itself is immoral. Thus, American society is caught between two sets of morals; those of classical liberalism’s individualism and those of classical republicanism’s collectivism. Reconciling these will always prove difficult for American liberal republicanism.

Reconciling Tensions in Liberal Republican Thought: The Washington Plan

The tensions surrounding the minimum wage are evident when examining classical liberalism’s and classical republicanism’s opposing paths to achieve the good society. In attempting to reconcile at least some of these tensions, this paper proposes what this author will call “the Washington Plan”. In attempting to craft a plan that has the possibility of passing both houses of Congress, concessions to both sides are made in this plan. It would raise the federal minimum wage to $9.19 an hour, the minimum wage in Washington State currently. States and municipalities would obviously have the option of raising it further. However, on the basis of the federal supremacy clause, any states with a minimum wage lower than the federal one of $9.19 an hour would be forced to take the lower minimum wage off of their books. This rule is not currently in place because even with a federal minimum wage of $7.25, several states have minimum wages on the books that are lower than the federal one (U.S Department of Labor 2013). Though this may seem trivial given that the federal minimum wage will always trump a lower state law, it is important because it shows that workers in every state are protected by the federal government. In addition, under this Washington Plan, the minimum wage would be indexed to rate of inflation. This huge step would make the protection of low wage workers much easier in the future. Further, any new federal minimum wage law has the moral duty to make some change to the current minimum wage loophole surrounding tipped workers. The current federal minimum wage for tipped workers is $2.13 (U.S Department of Labor). This extremely low hourly rate, which has been frozen since 1991, is worth 36% less than it was at that time (Raise the Minimum Wage 2013). In order to remedy this wrong, this Washington Plan would adopt a portion of the WAGES Act proposed by Maryland Congresswoman Donna Edwards which would raise tipped workers minimum wage to seventy percent of the federal minimum wage. Therefore, under this plan, the minimum wage for tipped workers would be $6.43 an hour. This portion of the plan would embody many of the ideals that classical republicans, or modern progressives, would deem necessary to achieve a better society. It also would have a much better chance of passing both houses of Congress than a fifteen or ten dollar minimum wage would.

Classical liberals would oppose this plan at the outset, as they would cite that it kills jobs. However, the state of Washington which has the highest minimum wage in the country has an average unemployment rate that matches the average rate in the rest of the nation (Bureau of Labor Statistics October 2013). In order to further appease classical liberals and modern day conservatives, the Washington Plan would also add tax credits for small businesses whose profits do not exceed 500,000 dollars a year. This addition would hopefully quell any fears regarding the success of small business under a new minimum wage law and comes directly from the Harkin-Miller Senate proposal. The business would pay the worker the full minimum wage but would receive tax credits equal to the difference between paying $7.25 and $9.19. This would hopefully ensure small business success and appease classical liberals. Despite these concessions, some in the modern conservative movement would likely oppose this plan on the principle that any increase in the minimum wage is a manifestation of disorder.

In conclusion, a study of tensions in liberal republicanism surrounding the minimum wage illustrates how disagreements in American political discourse often stem from seeing different manifestations of disorder in society. Modern conservatives embodying classically liberal ideals believe that the minimum wage itself, teenage unemployment, and government involvement in the market are manifestations of disorder. Modern progressives embodying classically republican ideals see poverty level wages, crime, and a lack of buying power for the lower class as manifestations of disorder. Both sides believe the opposite course of action will lead to a better society. Therefore, though it will always to be difficult to reconcile these tensions, there is hope that plans such as the one proposed in this paper will narrow the gap between the opposing ideologies of American liberal republicanism.

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