Government Should Use Economic Reforms, Not Increased Wages

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It has long been assumed that the $3.35 minimum wage was too low, and that by simply increasing the salaries, they will magically rise above the poverty line. The raise will give the lower economic groups a slight reprieve from the effects of inflation, but soon enough the increases will become as outdated as the $3.35. The basic problem of shrinking purchasing power will remain unaddressed.

Inflation will be affected by the wage increase. The argument has been that whereas an employer can hire two workers under the old scale, he can only hire one under the final increase, that is to be implemented in the early 1990’s, of $4.25.

Because of the increase, prices will go through the roof. Payrolls will cause a rise in the price of basic goods and services; so in effect, the wage increase will be negligible. The purchasing power does not change, but instead, changes in the numbers that reflect the poverty level will occur.

Average earnings, in 1986 dollars, fell from $19,243 in 1973, to $13,607 in 1987, a drop of 29 percent, according to the Children’s Defense Fund and the Center for Labor Market Studies research. The loss in purchasing power in the early years of the Great Depression was 27 percent. Poverty rates have risen from 12 percent in 1973, to 22 percent in 1987, a 77 percent increase.

Because of unbacked currency, the Federal Reserve controls the money supply, thereby controlling inflation. The money is not worth anything, so people are increasing the price of things, but their buying power does not change. For example, a car that costs $2,500 in the early 1960’s, costs over $12,000 today. But today, the $12,000 car is significantly harder for lower income people to buy, than the 1960’s group.

What the federal government needs to do, is lower the minimum wage and lower prices, across the board. But in the process of lowering prices, some sort of backing for the currency must be established so the purchasing power of the consumer will grow. Encourage investment and economic productivity increases through tax incentives.

By shrinking the money supply, and encouraging economic investment and savings, the economy will grow. Salaries will increase because productivity will be higher, but with the tightened money supply, prices will not rise as drastically, because a backed currency will not allow it. The money supply cannot exceed the amount of hard cash held in reserve, under a backed currency system.

Minimum wage was not created for full-time career workers. It was intended for the transient, part-time worker. The purpose was to prevent labor abuses of sweat shops. Through the private sector and public job training programs, lower income people can be weaned off of the minimum wage, and have it left to the part-timers, where it belongs.