Minimum Wage and Justice?

by

Oren M. Levin-Waldman*

Working Paper No. 197

July 1997

*Resident Scholar, The Jerome Levy Economics Institute

As a policy issue the minimum wage has long been a bone of contention. Since it was first adopted it has always evoked strong emotions from all sides of the political spectrum. From the stance of economic theory, the minimum wage does no more than redistribute income by raising the wages of those at the bottom at the expense of profits that could theoretically be plowed back into productive enterprise. It also raises the cost of labor, which inevitably leads to higher unemployment. The redistribution is, of course, a political issue, as it touches on Harold Lasswell's famous characterization of politics as "who gets what, when, and where."[1]

Much of the debate over the minimum wage in recent years has essentially involved a debate between those arguing the adverse effect of raising the minimum wage — particularly among teenagers[2] — and those who maintain that increases in the minimum wage would not only alleviate the poverty of some, but offer an attractive alternative to welfare.[3] What is often absent from the discussion are considerations of equity and justice. For at the root of the debate is a question of substantive justice, and indeed, in the early years when the concept was first being debated prior to adoption of the first minimum wage, many of the arguments made in favor of the wage were indeed moral ones — that people who work deserve to be paid a "living wage" for their efforts, and the criterion for achieving a "living wage" would be a minimal level of subsistence.

Of course, justice, though it may contain some universally shared concepts, is subject to a great diversity of conceptions. For some, justice is solely a matter of procedure. If the procedures are fair, established and known by all, the outcome, whatever it is, is a just one. For others, justice is a matter of substance. That is, a just society exists only when relations between people are equitable. Although this conception could subsume the procedural conception, it would extend beyond it to include questions of distribution of wealth and income in addition to people's standing before the law. Surely there are those who will maintain that the just wage is equal to the worth of the individual's labor. Were each side of the debate to be asked about the justness of their respective positions, each would no doubt affirm the justness of its respective positions, albeit for different reasons. It is also no doubt true that each conception of justice, were the debate to be couched in those terms, would be expressed in terms of absolutes for which compromise in the political arena is simply unobtainable.

Still, the question remains: would the debate not be more meaningful were the debate to be couched in moral terms as opposed to the impersonal ones of cost-benefit analysis. After all, a cost-benefit analysis merely provides information that can be put to use in the policy process. How it is used will depend on the values of respective political groups, and invariably these values are rooted in a conception of justice. That the debate has assumed the form that it has perhaps speaks to a particular conception of justice, one grounded in the rights-based conception of the American liberal tradition. Although there are arguments to be made in favor of the wage, they would in fact require grounding in other conceptions of justice. Or at least it would become more clear were the analysis of the minimum wage to be situated within a more philosophical model as opposed to the more traditional mechanistic cost-benefit analysis. In this paper I attempt to explore the more philosophical issues in an attempt to show that when evaluated according to other principles a moral case can indeed be made for the wage.

Dilemmas of a Wage Floor

As with any policy issue, the question in the minimum wage is just what type of society are we attempting to create? If public policy, broadly defined, can be said to represent the collective aspirations of the political community in its attempt to achieve a collective *good,* the minimum wage could be said to fit that paradigm insofar as it achieves a common objective: a minimum level of subsistence for all those who work. Although not all members of society will derive benefit from this, it might be said to meet the collective aspirations of the larger community in a couple of different ways. First of all, it ensures that the working poor will receive a wage that will enable them to live with some measure of dignity. In as much, it lends a certain value by signaling that the work they do is important and therefore, they deserve to earn a wage that lifts them out of poverty. Secondly, it provides these people with more income that can ultimately be pumped back into the economy, thereby creating benefit to the larger economy.

In practice, and in the crudest possible terms, it achieves this goal by artificially inflating wages to a level that enables individuals to live at a particular level that they otherwise might not have been able to obtain in the absence of state action. The problem with the minimum wage, as Sunstein has noted, is that it may be an example of policy that although it is framed according to noble aims, it carries with it unintended consequences.[4] According to a traditional economics textbook analysis, the costs to society of raising wages are far greater than any benefits. As the cost of labor is increased, the demand for labor decreases. Only if the demand for goods and services on the part of consumers is increased can it be expected that there will be an increased demand for labor that will effectively bid up wages. A policy that artificially raises wages to help some at the expense of others is simply inefficient. Even if there is some outward appearance of benefit to be derived from an increase in the wage floor, there will invariably be a cost to be borne whether in the form of job loss, lost opportunity for jobs, lost benefits or increased output per man hours — the demand for higher productivity.

These unintended consequences, however, need not necessarily disqualify the minimum wage as policy tool in a society intent on achieving social justice in the market place. Although minimum wage laws may reduce employment, they might also be justified if a large enough group of people derive benefit and its adverse effect is that only a few additional people experience unemployment. But in as much as there could be unintended consequences the minimum wage is an example of a policy that in principle can be justified while going very wrong in practice. Ultimately, there is a tradeoff which involves a political choice, and that choice might involve some measure of what constitutes a just measure.[5]

All this, of course, is a question of a calculus. But why is it that those who formulate wage policy in the U.S. have placed greater emphasis on the so-called unintended consequences rather than the potential benefits? An even larger question is why the minimum wage has been so challenged in the United States. Although it clearly defies basic capitalist tenets, the American capitalist state appears to have greater conceptual difficulty with it than do others. The principal reason, I would suggest is because of the underpinning political philosophy in the United States which is very different from that in say Canada, Europe or Japan.[6] That is, American political institutions, and by extension economic arrangements, are founded on a particular understanding of liberal political philosophy, a vision that stresses the virtues of individualism as opposed to corporate identity.

The notion of a wage floor poses some serious conceptual problems, particularly to a capitalist economy predicated on liberal foundations. The major underlying foundation in a liberal society is that of human agency, that individuals are capable of thinking for themselves what constitutes *good* and making choices on the basis of the choices they have made. Applied to the market place, the individual is free to pursue his/her respective self-interest, as an expression of his/her conception of *good*. Applied even further to the labor market, individuals are at liberty to negotiate employment contracts that best meet their needs based on what they are able to offer in mutual arrangements. If individuals are unable to receive the compensation that they truly desire it must be a function of other factors, such as insufficient skills, too much supply of labor or insufficient jobs, etc. The market place, in other words, operates according to natural principles. By these principles, each individual is paid what s/he is worth. If individuals are dissatisfied with the level of compensation, they are, of course, free to do one of two things: they can either look for another job that will compensate better, or they can improve their skills so that they will in fact be worth more.

The notion that the state might have to artificially inflate wages through a wage floor is problematic to the concept of human agency for the following reasons. That individuals are free to make choices presupposes that they are responsible for the choices they have made. That they are given the opportunity to make choices means that they are ultimately responsible for their stations in life. The choice between looking for new work or improving skills does place the responsibility for one's position with that individual. For the state to raise wages for those who otherwise might not be able to command higher wages is to effectively absolve them of their responsibility, and thereby infringe upon their moral agency.

The problem with this is that it presupposes that the market place is natural, which may be a questionable assumption. It could be argued that claims of naturalness about the market place are merely rationalizations for an economic system that fails to allocate resources in an equitable manner. The proper first question, then, is just what it means to talk about a natural market place? For the typical economist, this market place is predicated on a set of assumptions. First and foremost, markets have perfect competition in which all goods and services have a supply and demand function, and that at some point the supply will be exactly equal to the demand. When that happens, the market is said to have cleared. In labor markets, a market clearing wage is said to exist when the demand for labor equals the supply of labor. A higher demand for labor than the actual supply will lead to a higher wage rate, and a lower demand than the supply will lead to a lower wage rate. The economy will achieve full employment at the point at which the price of labor drops to the level that demand equals supply. A wage floor, the theory goes, prevents this from happening, thereby resulting in unemployment. The higher the wage floor, the higher the level of unemployment. Even if a wage floor does not immediately result in unemployment, there may be some substitution effect, whereby the employer provides less of something such as fringe benefits.[7]

Or so this is the theoretical model of world competition, which might otherwise be referred to as the neoclassical paradigm. This paradigm further holds that the reason that our markets are not perfect according to theory is because there is too much governmental interference. But there is no real proof that this is true, and the only way it could be tested is if all regulatory and other governmental programs were eliminated. Otherwise, it remains an untested hypothesis. And yet, the question remains just what does it mean to talk about a natural market place? To talk about a natural market place would also require that there be no power relationships to affect the outcome of a contractual exchange. But in the real world, this simply is not true.

In the real world person X applies, along with many others, to firm Y for a position. In most likelihood firm Y has a wage rate in mind that it intends to offer. It is possible that if X possess a particular set of skills that are especially beneficial to Y, there may be some room for negotiation. Even if there is, the offer will not exceed the going "market" rate by any great margin. But suppose Y is actually hiring several hundred people to do work on its assembly line. Is it really credible to believe that Y will negotiate with each applicant separately? Or is it more likely the case that the pool of successful applicants will have one of two choices? Either they take what is offered or they look elsewhere. Let's suppose further that some among the pool opt for the latter and apply to other firms within the same industry only to find out that the other firms are offering the same identical wages. Each firm, after all, is merely offering the "market rate," and there would be little incentive to offer more, especially in the face of a large pool of applicants. The only freedom of contract these individuals have, consonant with human agency, is to accept or reject, which in crude terms is tantamount to a choice between eating and starving. The natural market place, in other words, is essentially an arena where those with capital enjoy the market power to establish wage rates.

This, of course, leaves the pool of workers a couple of options for attempting to equalize the power relationship. They can either join trade unions and bargain collectively with the employer, in which case freedom of contract will be given some meaning. Or they can solicit the assistance and protection of the state in the form of a wage floor and other regulatory measures. This, of course, would not be natural, but it still is not entirely clear just what is meant by a market rate. If every firm, according to theory, negotiates a contract, how does it become aware of a market rate that can now govern all the firms in the industry?

To a certain extent, the concept of agency and its assumption of freedom to negotiate assumes a Rawlsian style veil of ignorance. Under such a veil, we are each ignorant of each other's, as well as our own, attributes.[8] This veil applied to the market place should ultimately leave each firm ignorant of the other's. A new firm entering the market would not necessarily know what to pay its employees unless it inquired of the other firms. If firm A learns from firm B that the rate of pay is X, what has happened to the concept of a market wage? Under the theory of a market wage, both the employer and employee would negotiate a contract around their understanding of the so-called market wage. And yet what firm A learns from his survey of firm B and other firms within an industry is that there is a wage on average constitutive of the prevailing wage. In other words, the information obtained from the survey merely provides a reference point. This reference point in most cases will constitute a minimum. But in a Rawlsian state of nature, we really do not know what others' wages are. One could hazard a guess on the basis of what one thinks the wage would be. Still, it is highly unlikely that a firm would opt not to enter the market because the reference point is considered too high. At the same time, one would not approach the enterprise of wage negotiation with any preconceived notions of what one's labor is worth. There would be no way to know what one's labor is worth, as there is general ignorance about each others' attributes. Wage rates, however, have generally been predicated on social norms of what different groups of people are perceived to be worth. In the early part of the century when minimum wages were enacted as protective legislation for women, they were also a response to the social conventions that women — because they were not the household breadwinners — did not need to earn as much as men. That wages were predicated on social conventions would suggest that there is nothing inherently natural about wage rates and that what determines wages has little if anything to do with market forces.[9]

Although it is true that in a Rawlsian state of nature, individuals could negotiate their own respective wage rates, one could argue from a Rawlsian position that each person ought to opt for a minimum wage, just as they would opt for the priority of the right over the good. That is, in the absence of knowledge of each other's, as well as their own, attributes, they would want a set of governing arrangements that secured for them guarantees of equal treatment over those that would provide the greatest happiness for the greatest number at the expense of the minority's rights. Even if unemployment could result, they have no way of knowing that this could be worse than to be paid at a level below subsistence, especially as they have no preconceived notions of what that level might be.

The minimum wage, then, does provide a base reference point, in the absence of knowledge, for two participants to negotiate. But if the wage is nothing more than an artifact, there is no reason why it could not be raised to a level that would fulfill other social functions. One implication would seem to be that the minimum wage should be raised so that its value is such that those who are earning it will effectively be above the poverty line. At least this would provide one justification. But there could be others, such as broad considerations of efficiency, which would entail greater loyalty on the part of workers, reduced turnover and ultimately higher productivity. Even if productivity is difficult to measure, as it surely is, there is intuitively a sense that it may be better to pay more than to pay less.

The wage clearly raises a number of issues, but in terms of the policy debate, it has long been measured against one set of criteria: whether it results in a disemployment effect and how much of one. Although considerations of poverty reduction may enter into the equation from time to time, it is all too often couched in terms of whether there are a sufficient number of workers earning the wage who would be lifted out of poverty that could justify the disemployment of others. The problem with this test is that it ultimately does not tell us very much, rather it merely provides some information which may, or may not, be useful to policymakers as they address themselves to perhaps the larger questions of what the goals of society ought to be and what measures will best achieve them. The economics approach, which merely sees the minimum wage as a cost/benefit calculus does not consider societal values in the equation. Rather in the tradition of empirical inquiry employing scientific methodology, it separates values from facts. Facts are what can clearly be observed and measured. Values are conceptions of how things ought to be. By posing the issue of the minimum wage as a cost/benefit equation, in which it can be demonstrated that an X percentage increase in the wage will cause a Y percentage decrease in employment, it is claimed that the inefficiency of the wage can in fact be established. And this information alone ought to suffice to drive the public policy process. But this conception of efficiency is perhaps too narrow, as it only reflects the judgement of one group of people who, because of their expertise, and perhaps buttressed by a Nobel prize, are typically deferred to. It does not capture other values that may be equally important and may have some bearing on how the larger community comes to understand efficiency. It is for this reason that a more philosophical approach would appear to be warranted.

Why the More Philosophical Approach

Although economists would point towards the issue of efficiency that could perhaps be quantified, a philosophical model would suggest that it cannot. Or if it can be quantified, it assumes a utility model in which the measure of efficiency is the greatest happiness for the greatest number according to Benthamite principles. According to these principles, the world has two sovereign masters: pleasure and pain. Policy framed in accordance with utility seeks to maximize pleasure and minimize pain.[10] This, of course, is no different from those principles underpinning the typical business firm in which the goal is to maximize profits while also minimizing costs. Within the context of democratic theory, society, then, would seek to achieve the greatest happiness for the greatest number, which it would then define as the public interest. Of course, this is a simplistic formulation which does not adequately capture the complexity and subtle differences in definition bound to arise in a diverse society. The typical business firm, after all, has both short-term and long-term costs to consider. Although the immediate minimization of costs might result in very short-term profitability, that profitability may not be sustainable in the long-term. Similarly, society through its policy apparatus needs to think of both its short-term and long term advantages, as well as the relative costs involved in obtaining them. On the one hand, any policy that promotes the greatest happiness ought to be pursued. But on the other hand, the greatest happiness would also entail the assurance that the pursuit of a policy aimed at achieving those ends will not adversely affect the community in the process.

It is on this point that theory and empiricism meet. A utilitarian argument for raising minimum wages might look as follows: Insofar as an increase in the minimum wage increases the floor which also serves as a reference point for other wage levels, and other wages in turn can expect to increase, the results will be beneficial to most and ultimately more people will be happy. The flip side of this argument, of course, is that if in the process of lifting the wages of some a sizeable number of people will wind up jobless, the end result will not be an increase in general happiness. Rather some will be happy while others are not. The problem is that it is not entirely clear just what the effects of the wage are. There is no conclusive proof that the wage has the effects that many economists claim that it does. For instance, Brown et. al concluded from a review of the minimum wage literature that the theoretical developments over the years have had little relative impact on the estimation of minimum wage effects, and that the integration between theory and empirical research has been incomplete.[11] In recent years, new findings on the minimum wage have only challenged the reigning economic orthodoxy. Most notably, studies by economists David Card and Alan Krueger demonstrated that increases in the minimum wage in California and New Jersey did not result in any disemployment effects. On the contrary, employment increased.[12]

As controversial as these studies have been, many in the economics profession have actually come around to the conclusion that a small increase in the minimum wage will have a negligible impact on employment, if any impact at all.[13] Of course, this often has been offered with the caveat that the minimum wage has typically been set at a rate so far below a market clearing wage that it could not possibly affect employment in any significant way.[14] This does not mean that all economists accept it. After all, the findings are merely a question of statistical manipulation.[15] Card and Krueger, themselves, have suggested that the findings that many economists come forth with are contingent on the confidence levels they establish to determine statistical significance.[16] Then there is the whole question of the adequacy of the data.[17] And herein lies the problem with the utility model, for in the absence of information that such a measure would not also lead to adverse effects, we cannot then be certain that maximum utility has been achieved, or can be. Therefore, it has to be observable that an increase in the minimum wage will advance the cause of utility and not simply be a zero-sum game, whereby some people will win at the expense of others.

At the heart of the utility problem has also been the core of the minimum wage's challenge to a liberal tradition, especially one in the United States predicated on neutrality. Neutrality exhorts government, when framing policy, not to show preference for A over B. A government that is neutral does not choose between competing conceptions of the *good*, but allows each individual to pursue his or her own conception of the good so long as it does not harm him or herself or others. For to embrace a conception of the good, or show preference for A over B, is the same as not according each individual equal respect and treatment, thereby trivializing the worth and dignity of each individual.[18] Once this occurs, the fundamental assumptions of agency are considerably undermined. Such a conception of neutrality, which can also be found at the heart of Rawlsian justice, would nonetheless appear to imply a limited government function.[19] And indeed, the liberal tradition in the U.S., as it has revolved around this conception of neutrality, has only justified intervention when there has been a sufficient crisis to warrant it. Applied to the concept of a wage floor, then, it would only be permissible when clearly demonstrable that the absence of one would have severe economic consequences for a significant segment of the population, if not the larger economy.

Elsewhere I have argued that the principal problem with policy in the U.S. is that it has been by and large framed in accordance with neutrality. The principal problem with neutrality is that it prevents the making of substantive choices. The idea that society could even have a grand vision of what it wants to achieve is an anathema because it would effectively be tantamount to choosing one conception of the good over another. Consequently, the liberal government is confronted with a choice. It can either do nothing or create a system in which everybody has an equal opportunity to participate, with the end result being a function of the relative power position of the various interest groups. Lowi, in particular, has made this argument, that a state predicated on neutrality is unable to order its priorities. As a consequence, when groups come to government requesting different goods, it ends up distributing to each and all alike. The prioritization of goods is not a question of which has a higher intrinsic value, but which has a stronger interest group lobbying for it.[20]

The other problem with neutrality is that it tends to place greater emphasis on the rights of individuals to be protected from government, with less emphasis on individuals' commitments to their communities. As one is considered to be equal in the capacity to conceive of one's own good, there can be no absolute or universal good. This, of course, presupposes that individuals can have goods that are separate from, and even contrary to, the good of the community. The community, then, has no other good than perhaps the sum total of individual ones. As a result, what separates individuals is prior to what unites them. A society that conceives of the public intersect this way is a society likely to view the minimum wage as a violation of one's rights, primarily the employer's property rights unless it can be demonstrated that a larger public interest can be served by abridging them. According to this view the role of government is to ensure the integrity of a framework that allows people to pursue their self-interests — as that is a practical expression of agency — and to guarantee that there will be no obstacles to access. But it is also government's responsibility to protect the rights of individuals to purse their interests, and this may be done by defining those interests in terms of property. Property rights can then be enforced through contract. Through the contract mechanism, each party has some property that can be negotiated over. The employer, as a property owner, has a job to offer — the terms of which are subject to negotiation. The worker, as a property owner, has his or her labor to sell — again the terms of which can be negotiated over.

A rights-based model — especially as it may be grounded in libertarianism — tends to view every regulation as an infringement of property rights, which is ultimately inefficient. The minimum wage, then, might be offensive because it effectively mandates a redistribution of income from property owners to workers with no discernable value. But it also infringes upon the property rights of workers, as it limits their ability to determine just under what conditions they are willing to work. If it cannot be shown that there will ultimately be value in this redistribution, the wage hike is merely artificial, as it was not dictated by the natural forces of the market place. But the emphasis on neutrality has meant that policy would only be pursued when 1) it does not abridge individuals' rights and 2) if they need to be abridged, it is clear that a public good is advanced. What is often lost are the other values of society, albeit they may be obscured. Public policy might better fit the public interest were it to be framed in accordance with other values in liberalism. These values would include self-sufficiency, mutuality, and common project.[21]

The minimum wage might be an example of the type of policy that brings these values into conflict with one another. On one level, self-sufficiency, a value core to the American experience, requires that each individual make it on his or her own, and without the assistance of others. Mutuality, on the other hand, would suggest that we each have obligations to one another, as that is what it means to live in a community. In this vein, the individual who fails at self-sufficiency ought to have a right to expect other members of the community to provide assistance. Similarly, the community that provides assistance would have a right to expect reciprocity. The notion of the common project suggests that the community has a common purpose for which all members have an obligation to participate in. Each person working to provide for his or her own family might be said to be part of that common project. But so too might creating a wage structure that enables individuals to live in dignity. Does the minimum wage enable individuals to be self-sufficient, or does it assume that they lack the requisites to be and therefore they need assistance? Does the minimum wage do anything to further the common project?

Self-sufficiency. Libertarian conceptions of self-sufficiency are fairly well-known — that individuals enjoy an equal opportunity to compete in the market place, and therefore, where they end up is a function of 1) their attributes and 2) the choices they were free to make. This logic would clearly apply to wages, in as much as wages reflect the consequences of either their attributes or choices. But a case could be made for the minimum wage and the value of self-sufficiency, insofar as the wage makes work a viable alternative to being on say public assistance. If, for instance, we were to define the common project as work with the expectation that every member must engage in some type of productive enterprise, this project could be greatly undermined by public assistance programs that enable people to live better than they would were they to be working in the workforce. After all, what incentive would they have to work if they would be worse off? The wage would enable individuals to earn a living without simultaneously having to be subsidized by the state. This should also enhance their dignity. Will workers not have greater dignity from greater earnings which come from their employers where they are able to perceive a direct connection between their efforts and their compensation? Why would an employee necessarily feel any particular loyalty to an employer when a significant portion of his/her earnings is coming from the state? Moreover, the absence of loyalty may be a contributing factor to the high rates of turnover, and ultimately labor market instability.

The notion of the wage as a furtherance of self-sufficiency could, of course, raise other questions, especially to an economist's conception of efficiency. That is, the notion that inefficiency arises from a floor that prevents labor prices from falling to a point where both the supply and demand for labor will intersect. After all, in the absence of hard evidence that it is not inefficient, is it right to risk that inequities could arise? That is, in the noble effort to raise the wages of some, others, who are equally lacking in skills, could then find themselves out of work. For the other side of the coin is that equity involves the equal opportunity to find jobs. If so, this opportunity could be threatened by a policy that possibly narrows opportunity. But in the absence of hard core evidence that consequences will occur, the case could be made that there ought to be a presumption in favor of those types of policies that bolster a wage structure that enables people to earn living wages. This presumption would be no different from the one the liberal state already makes in favor of the protection of individual rights unless it can be demonstrated that their abridgement would be of greater benefit to the larger community. Although this could be an argument against the minimum wage, it is not clear that a minimum wage does any more than create a wage floor. That it limits people's ability to negotiate over wage rates — from either side — is less than clear.

Mutuality. Mutuality as a notion that each member of the community has obligations to one another — most notably to afford each the type of respect and equal treatment that they would expect to be afforded — also entail considerations of equity, especially as they touch on questions of fairness. And more than anything else, moral arguments for the minimum wage touch deeply on equity considerations. The equity argument, however, would suggest that the goal of public policy, particularly income policy, ought to be the narrowing of the gap between rich and poor. To this end, if wages have fallen, and as a consequence the gap between the rich and poor has widened, those wages should be raised so that the gap is effectively narrowed. Raising minimum wages would not only raise the earnings of the poor, but would effectively drive up the wages of others whose wages are close to the minimum, as the minimum wage serves as a reference point for employers. This point has been made by economists as well. This is the idea that the wage as a policy — and political — issue is not something that will greatly affect the minimum wage population per se because it is a marginal population,[22] but will affect the general wage structure as a whole. Rather, the wage serves as a reference point affecting the wages of those around it.[23] David Gordon, in particular, has argued that it is simply too narrow to view the wage solely in terms of only those who earn it. Most conventional estimates only look at those earning the minimum wage at a single point in time. A decline in the real value of the minimum wage also affects those earning in between the point where the wage used to be and where it is at the end of the dip. This is in addition to those "minimum wage" workers who earn at or below the wage.[24]

General considerations of equity are not all that clear cut, for if the effect of forcing employers to shoulder the burden of narrowing the income gap is that employees might effectively lose their job, has the result not been that the gap in the long term has been widened?

If the sum total is that greater inequality in the income distribution has arisen, have greater inequities not occurred? Perhaps the real question is whether equity is really inseparable from efficiency. And if they are, the only basis upon which a moral claim can be made is if we have an empirical basis for determining what is efficient. To an extent, the market model has understood an equitable economy to be an efficient one. If by efficiency is meant the optimum allocation of benefits, the system is deemed equitable insofar as it enables the largest number of people to take advantage of the opportunities to benefit.[25] And the traditional market model has assumed that efficiency would best be attained by a set of market arrangements protective of individual rights generally, and property rights particularly.

The notion of mutuality could, though it does not have to, assume a communitarian form, which posits the interests of the community first and the rights of the individual second. As much as individuals have rights, they equally have obligations to their communities. These communities are important because without them, individuals as they are simply would not be. Our individualism is shaped by our communities and it makes no sense to talk about our rights unless it is within the context of those communities which shape who we are and make our individuality meaningful.[26] It is the notion that individuals are "embodied agents 'in the world' engaged in realizing a certain form of life." Who we are is a function of how we have been socialized, and individuals are shaped by their constitutive communities, which provides a background way of being in the world.[27] Rights, after all, are defined by the community, and they will ultimately be protected by the community.

Ultimately, it is a question of maintaining communal welfare according to the shared values of the community. The communitarian might thus be inclined to argue that businesses, in as much as they are the source of opportunity and livelihood for the community as a whole, thereby owe more to their communities than merely the generation of jobs. Consequently, if we subscribe to the communitarian model, we want to foster a civic conception of society in which individuals feel a mutual obligation to one another. If one is willing to work, one should be entitled to receive a liveable wage. People should take care of one another and should not rely on government to subsidize their low wages. Rather, individuals should be paid liveable wages so that communal arrangements will in fact be more equitable. Therefore, from a communitarian perspective, a minimum wage and its periodic adjustment, are essential to the creation of a high-wage economy. The issue for the communitarian is balancing the rights of the individual business/property owner with those of the community as a whole. Rather than viewing the minimum wage as an abridgement of one's rights, it should be viewed as a reasonable contribution to the general good of the community, especially if this good will contribute to a stable economy with a stable middle class. Communitarians may well concede that profits may be lower, but they would also be inclined to say so what? That is, there are perhaps other social efficiencies to be derived.

Common Project. All this leads us to considerations of the common project, the notion that all of us, as members of the political community, work towards the achievement of a set of goals that are commonly shared by all members of the community. This would then suggest that we all have a responsibility to define our goals as a society — what it is that we would like to achieve, and what set of policies we can adopt to best achieve them. More importantly, we all have obligations to one another. It would also suggest that the traditional economics text-book analysis of the wage should do no more than provide information. That is, it should not be determining. Consequently, then, the wage may well result is some disemployment effect, but that is largely besides the point. On the contrary, if we as a society believe that each member has a responsibility to attempt to be self-sufficient, and each can potentially realize this through work, we as a society have a responsibility to ensure that the project of work will at a minimum provide a subsistence level income. In this vein, the minimum wage would appear to be a measure that strives to achieve this objective. Although it could be argued that the common project is ultimately undermined if individuals fall victim to the minimum wage's unintended consequences, the absence of hard core data about the disemployment effect calls that into question. On the contrary, it would seem that in the absence of data demonstrating a serious disemployment effect, there ought to be a presumption in favor of a wage floor on the grounds that it furthers the common project.

One argument for the minimum wage as a tool that furthers the common project is that it may serve as a path towards a high productivity/high wage economy. Piore and Sabel have earlier presented the problem in terms of two competing visions: the low road v. the high road. To pursue the low road would entail finding cheap and low skilled labor to work in a mass production industrial economy. If labor is not cheap enough at home, work can easily be outsourced to those locations where labor costs are substantially lower. The high road, by contrast, would entail developing an innovative information-based economy with a flexible and high skills labor force able to command higher wages. The skills, and ultimately productivity, of the labor force would be developed through education and training programs.[28] And it is not uncommon for the debate over minimum wages to revolve around the question of whether the wages of the unskilled should be artificially inflated through wage floors or naturally boosted through education and training programs that will also increase their productivity. Or to state it differently, the choice confronting us is to have an economy in which market forces dictate that considerable segments of the labor force deemed to be unproductive receive low wages or to have training programs aimed at offering these individual the skills needed to command higher wages.

Although more is needed to achieve a high-wage economy than merely boosting the wage, the demands of the common project might certainly demand it as one measure in tandem with others. To move from the low road to the high road would, of course, require broad training programs in both the public and private sectors. If our goal as a society is to create a high-wage economy, why should this be viewed as a negative effect? If employers respond to a higher wage floor by finding it cheaper to train their workers to be higher-skilled workers which will make them more productive, the minimum wage will have had the positive effect of inducing firms to invest in human capital. This, of course, is a value judgment -- the choices we as a society are willing to make. In a democratic society, those choices effectively come about through the interaction between policymakers and interest groups. That one path has been chosen over another is less of a statement about the intrinsic merits of the path relative to the other, and more about the interests that are best served by it.

A low-wage strategy has certainly been served by focusing the debate on a narrow segment of the labor market. And perhaps it has been served by focusing on a conception of justice that is more individualistic in its presuppositions. That is, by a conception of justice that has placed greater emphasis on the right of individuals, rather than the rights of the community as a whole, to which individuals have obligations.

Conclusion

Ultimately, then, when the minimum wage is weighed against these criteria, a stronger case can be made for the wage because we as members of the political community are being asked to seriously reflect on our values and determine whether this policy works to further them. That we have ultimately relied on the economic models in public discourse speaks more to the strength of politics than the models themselves. On the contrary, it would seem plausible to argue that especially in the absence of hard core data that the minimum wage is inefficient within the narrow parameters of the economists' reasoning, the wage perhaps ought to be pursued as a means of furthering other societal objectives. The more important point, however, is that because we have relied on traditional cost-benefit measures, the consideration of other values has remained obscured.

If we as a society can agree that public policy ought to promote self-sufficiency and mutuality and further the common project, a case can reasonably be made that the wage does serve these goals. The minimum wage — at least as a concept, if not necessarily in practice — promotes self-sufficiency by raising the wages of the working poor to a level that enables them to provide for their own without the assistance of others. In particular, those who are paid a wage that could be said to constitute a "living wage," would not need to receive public assistance. In as much as they would be full fledged members of the workforce and would not be public charges, their agency would remain in tact. The minimum wage accords with mutuality in that it stresses the obligations that we all have as members of the community to work and be compensated at a level that enables us to live in dignity. And lastly, the minimum wage might be said to further the common project of a high wage economy in as much as it may contribute to a higher wage structure. But were the wage to have the effect of providing employers incentive to provide the type of on-the-job training that would increase their productivity and in turn make them "worth" their new wages, society as a whole benefits.

Of course, if we can view the world in these terms, it would mean moving beyond the individualistic/rights-based conception of justice that has underpinned much of American public policy to a more community minded conception that conceives of the public interest more in corporate terms. The issue ought not to be whether the unintended consequences of the wage are serious enough to disqualify the wage. On the contrary, the issue ought to be whether the goals are sufficiently desirable, even if they might come at a price of some of the supposed unintended consequences. The former really speaks more for those who have a vested interest in maintaining a low wage structure. The latter, however, suggests that a community may have a broader vision of what type of just society it would like to create, in which case the economist's narrow definition of efficiency may not apply. And ultimately, the wage, as justified according to these criteria, would speak less to the efficiency or inefficiency of the economy, but more to the character of the society and what we as a society want that character to look like.

Notes

1. Harold Lasswell, *Politics --- Who Gets What, When, How* (New York, McGraw-Hill, 1936)

2. See David Neumark and William Wascher, "Employment Effects of Minimum and Subminimum Wages: Panel Data on State Minimum Wage Laws," *Industrial and Labor Relations Review* 46,1 (October 1992):55-81; Robert H. Meyer and David A. Wise, "The Effects of the Minimum Wage on the Employment Earnings of Youth," *Journal of Labor Economics* 1,1 (!983):66-100; and Finis Welch, "Minimum Wage Legislation in the United States," *Economic Inquiry* 12,3 (September 1974):285-318

3. See Mary Jo Bane and David T. Ellwood, *Welfare Realities: From Rhetoric to Reform* (Cambridge, Harvard University Press, 1994)

4. Cass R. Sunstein, *Free Markets and Social Justice* (New York and Oxford, Oxford University Press, 1997)

5. Sunstein, *Free Markets and Social Justice*

6. See, for example, Seymour Martin Lipset, *American Exceptionalism: A Double-Edged Sword* (New York, W.W. Norton & Co, 1996)

7. See, for example, "Minimum Wages and the Wessels Effect in a Monopoly Model," *Journal of Labor Research* 15,3 (Summer 1994):271-286

8. John Rawls, *A Theory of Justice* (Cambridge, MA; Harvard University Press, 1971)

9. Alice Kessler-Harris, *A Woman's Wage: Historical Meanings and Social Consequences* (Lexington, KY; The University Press of Kentucky, 1988)

10. Jeremy Bentham, *An Introduction to the Principles of Morals and Legislation* (Garden City, Anchor Books, 1973)

11. Charles Brown, Curtis Gilroy and Andrew Kohen, "The Effect of the Minimum Wage on Employment and Unemployment," *Journal of Economic Literature* 20 (June 1982):487-528

12. David Card and Alan B. Krueger, *Myth and Measurement: The New Economics of the Minimum Wage* (Princeton, Princeton University Press, 1995)

13. John Schmitt, "Cooked to Order," *The American Prospect* (May-June 1996):82-85

14. Alida Castelo Freeman and Richard B. Freeman, "Minimum Wages in Puerto Rico: Textbook Case of a Wage Floor?" *NBER Working Paper No. 3759* (June 1991)

15. See Richard V. Burkhauser, Kenneth A. Couch and David C. Wittenburg, "'Who Gets What' from Minimum Wage Wage Hikes: A Re-Estimation of Card and Krueger's Distributional Analysis in Myth and Measurement: The New Economics of the Minimum Wage," *Industrial and Labor Relations Review* 49,3 (April 1996):547-552

16.Card and Krueger, *Myth and Measurement*

17. See Sar A. Levitan and Richard S. Belous, *More Than Subsistence: Minimum Wages for the Working Poor* (Baltimore, The Johns Hopkins University Press, 1979); and John Kennan, "The Elusive Effects of Minimum Wages," *Journal of Economic Literature* 33 (December 1995):1950-1965

18. Ronald Dworkin, "Liberalism," in *A Matter of Principle* (Cambridge, MA; Harvard University Press, 1985); and Bruce A. Ackerman, *Social Justice in the Liberal State* (New Haven, Yale University Press, 1980)

19. Rawls, *A Theory of Justice*; also see *Political Liberalism* (New York, Columbia University Press, 1993)

20. Theodore J. Lowi, *The End of Liberalism: The Second Republic of the United States* (New York, W.W. Norton, 1979)

21. Oren M. Levin-Waldman, *Reconceiving Liberalism: Dilemmas of Contemporay Liberal Public Policy* (Pittsburgh, University of Pittsburgh Press, 1996)

22. See Richard V. Burkhauser and T. Aldrich Finegan, "The Minimum Wage and the Poor: the End of a Relationship," *Journal of Policy Analysis and Management* 8,1 (1989):53-71

23. William E. Spriggs and Bruce W. Klein, *Raising the Floor: The Effects of the Minimum Wage on Low-Wage Workers* (Washington, Economic Policy Institute, 1994)

24. David M. Gordon, *Fat and Mean: The Corporate Squeeze of Working Americans and the Myth of Managerial "Downsizing"* (New York, The Free Press, 1996), pp. 214-215

25. See, for example, Charles E. Lindblom, *Politics and Markets: The World's Political Economic Systems* (New York, Basic Books, 1977)

26. See Charles Taylor, *Hegel and Modern Society* (Cambridge & New York, Cambridge University Press, 1979); Michael J. Sandel, *Liberalism and the Limits of Justice* (Cambridge & New York, Cambridge University Press, 1982); and Alasdair MacIntyre, *After Virtue: A Study on Moral Theory* (Notre Dame, University of Notre Dame Press, 1985)

27. Daniel Bell, *Communitarianism and its Critics* (Oxford & New York, Oxford University Press, 1993), p. 43, 90-95

28. Michael J. Piore and Charles F. Sabel, *The Second Industrial Divide: Possibilities for Prosperity* (New York, Basic Books, 1984)