ECONOMIC ISSUES IN FEDERAL MINIMUM WAGE LEGISLATION*

1. General


A general review of the 1949 amendments. In their analysis of the new coverage and exemption provisions, the authors draw heavily upon court decisions which influenced Congress in revising the original law.


The testimony in these hearings presents the viewpoints and supporting arguments of the major economic groups concerned. Part 3 of the 1955 hearings contains a statistical appendix in which a great deal of relevant data are assembled.


Presents the criteria and reasons for the recommendation of a $1.00 minimum wage. The position is justified through an economic and statistical analysis of the estimated effects of various proposed increases upon the wage bills of affected industries, experience with the wage and employment effects of the 1938 and 1949 legislation, and current productivity and cost-of-living trends.

* Items from this list should be ordered directly from the publisher. Addresses are given in connection with each reference.

A review of the administration, interpretation, and enforcement of the Act prior to the 1949 amendments. The section on enforcement is particularly valuable since it provides a compact summary of the enforcing agency's record for the ten-year period.


Each report provides a summary of the Wage and Hour and Public Contracts Divisions' activities for the year. The reports also provide up-to-date summaries of administrative and judicial rulings regarding the various provisions of the Fair Labor Standards Act. Proposals by the enforcing agency for the amendment of the law are also included.

2. **Economic Theory of the Minimum Wage**


A rejoinder to the arguments against minimum wage legislation formulated by Professor Stigler (see below) on the basis of marginal productivity wage theory. Drawing upon the experience with the Fair Labor Standards Act, the author points out that, though employment declined somewhat, output remained constant in the industries affected by the Act. He then suggests that the paradoxical character of these results sheds considerable doubt on the validity of marginal analysis.


An analysis of the effects of a statutory uniform minimum wage upon income as well as costs. The author argues that, as a minimum wage is likely to increase the economy's propensity to consume, it is also likely to maintain existing levels of employment and to raise the real income of workers affected by the minimum.


A careful review of the arguments regarding the economic bases of the North-South wage differential and the probable economic consequences of its elimination. The authors conclude that the elimination of the differential would probably not reduce employment in the South, but would deprive it of special advantages it now enjoys in the regional competition for new industry.

On pages 142-148 the author presents a concise summary of his reasons for rejecting the traditional marginal productivity analysis of the effects of minimum wage legislation. Special emphasis is placed upon the absence of a competitive price for labor in the industries affected by the minimum.


Argues that experience with minimum wage standards in the South has not borne out predictions that such legislation would result in increased unemployment. Regarding the impact of minimum wages upon the industrial development of the South, the author contends that the economic bases for the North-South differential have diminished in importance over the last decade.


An analysis of minimum wage legislation in terms of the marginal productivity theory of wages. The author argues that, given the competitive character of the industries most affected by such legislation, a significant increase in the minimum must result in decreased output and employment.


Formulates a set of principles to serve as an ideal standard for minimum wage legislation. From the workers' viewpoint such legislation should be designed as "a device to prevent certain specially placed employers from exploiting immobile, timid, and poorly equipped workers from receiving as good a wage as is received by others doing the same work." At the same time the author makes the proviso that this should not be done at the cost of curtailed employment opportunities.


Argues that increases in federal minimum wage standards must, of economic necessity, increase unemployment in the South and hamper its opportunities for economic growth.

3. Economic Experience with Minimum Wage Legislation

A study of the economic effects of the Fair Labor Standards Act of 1938 upon this industry during the years 1938-40. The industry as a whole suffered a decrease in employment of only 2.9%. A decline of 5.5% in employment in southern firms was counterbalanced by an increase of 4.5% in the North. Also, there were apparently no changes in retail prices.


Reviews the effects of the Fair Labor Standards Act of 1938 in four low-wage industries: seamless hosiery, cotton textiles, work clothing, and dress shirts. In none of the industries was there evidence of decreased employment; in all the industries except textiles, there was a narrowing of the North-South wage differential; and in all the industries there was a significant increase in technological innovation.


A case study of French experience in the period 1950-52 with minimum wage legislation which affected roughly 30 per cent of the work force. The author reaches the conclusion that "movements in the minimum wage and in prices have been closely related." He qualifies this, however, by pointing out that at least some of this inflationary movement must be attributed to the increases in military expenditures and private investment that occurred at the same time.


A general review of experience with the Fair Labor Standards Act of 1938. The author contends that this experience must be considered in the light of the countereffecting effects of the general upturn in business conditions that followed almost immediately after the law’s enactment.


A statistical analysis of the effects of the 1949 amendments of the Fair Labor Standards Act up to the outbreak of the Korean War. Among the results revealed were: (1) greater upward wage impact of the minimum "not only in the lower-paying industries but also in the lower-wage regions"; and (2) "only minor effects on such variables as employment, plant shutdowns, prices, technological change, hiring policies, and overtime work." This report is reproduced in Part 3, pages 1637-1759, of the Senate hearings on the proposed amendments to the present law, cited above.