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# Re-framing the moral appeal of the minimum wage

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## **ABSTRACT**

The diversity in the treatment of the minimum wage by economists has contributed to the fuzziness regarding what role this institution is meant to serve in modern society. Particularly, the moral appeal behind the minimum wage, tightly tied to this role, does not seem to have been adequately articulated in the literature. This paper attempts at putting forward an alternative perspective from which the moral appeal of the minimum wage should be evaluated. Specifically, we argue, there is a considerable gain from paying attention to our evolutionary heritage to make sense of the persistent popular support behind the minimum wage laws. In the framework proposed here, the minimum wage laws will be viewed as instrumental in meeting the “primary needs” of those who are *offering* productive contributions akin to egalitarian sharing of food among our hunter-gather ancestors. The approach taken in this paper will supplement (and slightly modify) old institutionalist framework and equip it with more robust moral foundations.

**Keywords:** Minimum wage; basic needs; institutionalism

## **RESUME**

La diversité dans le traitement du salaire minimum par les économistes a contribué au flou quant au rôle que cette institution est censée jouer dans la société moderne. En particulier, l'attrait moral du salaire minimum, étroitement lié à ce rôle, ne semble pas avoir été adéquatement articulé dans la littérature. Cet article tente de proposer une perspective alternative à partir de laquelle l'attrait moral du salaire minimum devrait être évalué. Plus précisément, nous soutenons qu'il y a un gain considérable à prêter attention à notre héritage pour donner un sens au soutien populaire persistant derrière les lois sur le salaire minimum. Dans le cadre proposé ici, les lois sur le salaire minimum seront considérées comme essentielles pour répondre aux «besoins primaires» de ceux qui offrent des contributions productives comparables au partage égalitaire de la nourriture entre nos ancêtres chasseurs-cueilleurs. L'approche adoptée dans cet article complètera (et modifiera légèrement) le vieux cadre institutionnaliste et l'équiper de bases morales plus solides.

**Mots clés :** Salaire minimum ; besoins de base ; institutionnalisme

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## **1. INTRODUCTION**

The motivation for this paper derives from the following observation: despite the relative large size<sup>1</sup> of the literature on this particular economic policy (Waltman, 2000), its treatment has left some gaps. This paper suggests alternative lenses through which the moral appeal of the minimum wage should be evaluated. It is imperative to consider the minimum wage debate as essentially a moral debate as to which moral principles should inform the distribution of *collectively produced* resources. Accordingly, we argue, the (politically) most convincing rationale for minimum wage laws is the fact that such laws are instrumental, along with other measures, to meeting the biological needs of those who are willing to offer productive contributions to society.

We treat morality here as a product of the evolutionary process, and adopt the view that it has served and is still serving a vital role. As Wilson (2000) argued extensively in his *Sociobiology*, moral behavior finds its roots in human biology. We call this approach “evolutionary ethics,” or “natural justice”<sup>2</sup> following Binmore (2011), where ethical systems can be explained in terms of evolutionary principles. Evolutionary ethics builds on the theoretical foundations laid out by Darwin. In *The Descent of Man*, Darwin paid close attention to the origin of our “deeply planted social instinct” that cannot be explained by utilitarian principles alone. His view is summed up in the following passage:

“It must not be forgotten that although a high standard of morality gives but a slight or no advantage to each individual man and his children over the other men of the same tribe, yet that an increase in the number of well-endowed men and an advancement in the standard of morality will certainly give an immense advantage to one tribe over another. A tribe including many members who, from possessing in a high degree the spirit of patriotism, fidelity, obedience, courage, and sympathy, were always ready to aid one another, and to sacrifice themselves for the common good, would be victorious over most other tribes; and this would be natural selection. At all times throughout the world tribes have supplanted other tribes; and as morality is one important element in their success, the standard of morality and the number of well-endowed men will thus everywhere tend to rise and increase.” (2011:137)

Of course, the role of culture/nurture should not be underestimated. It would be naïve to assume that an advanced standard of morality is the product of natural forces alone. Although our fundamental social instincts have been acquired through natural selection, a

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<sup>1</sup> As a quick search on [www.jstor.org](http://www.jstor.org) could attest, the minimum wage is a fairly popular subject in the field economics. A raw keyword search (“minimum wage”) brings in 11,080 hits compared to 27,158 search results for “Social Security.”

<sup>2</sup> Binmore relies on game theory to explain the evolutionary foundations of social norms as a possible solution to coordination problems among self-interested individuals. However, as Gintis pointed out, “human beings are emotionally constituted, by virtue of their evolutionary history, to embrace to embrace prosocial and altruistic notions of in-group–out-group identification and reciprocity. These aspects of human nature are incompatible with Binmore’s notion that humans are self-regarding creatures” (2006:7).

more refined sense of morality finds its roots, as Darwin convincingly argued, in imitation, reason, instruction at younger ages, religion etc. that helped further cultivate such instincts and given them a more elaborate form.

## **2. EXPLOITATION, POVERTY, AND THE MINIMUM WAGE**

We intend to re-frame the moral appeal of the minimum wage. For this end, we would like to start out highlighting various positions that exist in the literature regarding its function in the modern society. Before we expose the shortcomings of the conventional (textbook) treatment, we would like to review the literature sympathetic to the minimum wage<sup>3</sup>.

It is commonly believed among the defenders of the minimum wage that the existence of the minimum wage laws are premised on the idea that wages reflect the relative bargaining position of individual laborers—which is nearly non-existent in the low-wage segment of the labor market. As Kaufman (2010) pointed out, this understanding was stated to be one of the main motives behind the Fair Labor Standards Act of 1938 that introduced the threshold below which wages should not fall. Accordingly, the minimum wage is meant to “prevent unrestrained competition in labor markets from further lowering labor standards in affected industries, or spreading low standards to other industries” (Kaufman, 2010:430).

Built on this understanding of the labor market, a higher minimum wage has often been defended for its potential to reduce poverty and exploitation. We argue that even though working full-time at the current minimum wage could leave someone with a family under the official poverty line, presenting the minimum wage law as an “anti-poverty” measure, as well-intentioned it is, may be a disservice to its legitimacy. Poverty is associated with, among others, the lack of access to reliable standard employment opportunities. According to BLS, out of the 13.15 million in the labor force who live below the poverty level, 2.1 million did not work during the year in 2012. Of those who were employed, about one half worked only part-time. Secondly, burdening a single institution with the task of alleviating poverty is unreasonable. Poverty is too complex an issue to be solved by a singular policy and there are potentially more effective remedies for poverty than minimum wage such as full-employment. The chance of a more integrated policy to address the poverty among, for instance, Hispanic single mothers, which stood at 50.3% in 2010, is obviously much higher.

We further argue that exploitation-based defense of the minimum wage may not be able to survive a close scrutiny either because of the ambiguity surrounding the term “exploitation.”

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<sup>3</sup> Prasch (1996) cited two positive economic outcomes that can be anticipated from an increase in the minimum wage which we won’t consider here: “First, the minimum wage, through its impact on the distribution of income, has a positive impact on the level of effective demand. Up to a point, such an increase can promote economic growth. Second, in an appropriate institutional context, a high-wage economy can induce a regime of rapid technical change. Firms faced with high wages are forced to employ more advanced equipment and eliminate “X-inefficiency” or leave the industry. The result is a more productive society as newly adopted technologies and processes are embraced by the surviving firms and their competitors. In the end, these new processes are disseminated throughout the economy.” (p.391) Although these are valid arguments to consider in making a case for a higher minimum wage, entertaining them lie outside scope of this paper as our focus is the morality of the minimum wage laws.

Although we are coming from a sympathetic position, exploitation-based arguments, in our opinion, may serve as a distraction. First, from Marxian point of view, it is not given that exploitation only applies to low-wage workers. The rate of exploitation could be very well higher among some occupations that pay much higher than the minimum wage. Although the exploitation rate has not been calculated at the occupation/industry level, it may have been increasing alongside with the real value of the minimum wage, according to Shaikh and Tonak (1996), after the WWII.

If we are to rely on the marginal productivity theory, not all low-wage workers are necessarily getting exploited (Wilkinson, 2004). Moreover, the neoclassical definition of exploitation as the discrepancy between one's marginal and product and his pay is problematic for many reasons. For one, it is well established, particularly in institutionalist and Marxist literature, that easily replaceable labor will not enjoy a significant bargaining power—irrespective of their productivity. We could add that the type of tasks that are available in an economy is beyond any one individual's control. For instance, automation frees up labor from manufacturing to be employed in services. The accompanied increase in the overall productivity will not reflect in wages in the services industry.

We now would like to turn to the inadequacy of the conventional treatment of the minimum wage.

### **3. CONVENTIONAL ECONOMICS ON THE MINIMUM WAGE**

The conventional economic theory (or the textbook approach) states firmly that minimum wage tends to hurt workers it is supposed to help. This position finds its most clear expression in the writing of J. B. Clark:

“Now, first of all, certain basic facts concerning wages need to be realized. The rate that can be paid is limited by the specific productivity of labor. The man A must be worth to his employer what he gets, and so must B, C, and D. The total product of the business as a whole is not the basis of the payment, but the part of that total which is due to the presence of particular individuals; and if any person asks more than his own labor yields, he is virtually asking for a ticket of leave, with permission to return only when his demand is reduced or his product increased. Only when his specific product equals his specific pay can he expect to continue in the employment.” (Clark, 1913: 290)

Clark's conclusion, widely accepted among conventional economists, is reached as a matter of abstract reasoning and is void of robust empirical backing (Card and Krueger, 1994). Moreover, this is clearly a moral argument. Apart from its economic consequences such as unemployment, the minimum wage, in Clark's mind, is also *unfair* since it amounts to paying some workers a wage that they did not *fully* earn.

We are of the opinion that the normative character of the conventional policy analysis grounded in the marginal productivity theory and the notion of efficiency is ill-suited to analyze the function that the minimum wage serves in modern economy<sup>4</sup>. Indeed, the notion

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<sup>4</sup> It is also common among libertarian-leaning economists to denounce the minimum wage based on its compatibility of the freedom of contract? The Supreme Court appeared to have adopted this view

of “basic needs” is notoriously absent from the standard economic lexicon. For instance, in Mankiw's popular introductory text, the word “needs” appear only twice (in an unsubstantial fashion), and the term “basic needs” never appears. Apparently, the notion of (culturally and socially determined) “subsistence wage” introduced by the classical economists such as David Ricardo has been all but abandoned by modern economics (Champlin and Knoedler, 2004). In other words, conceptually, there is no longer a “lower bound” below which wages can or should not fall. Equilibrium wages, determined by impersonal forces of the market, can easily be *too little* for workers to subsist on. Indeed, this is a reality for many in the U.S.

Fairness considerations are not an afterthought in policy debates, as it is commonly assumed. They are integral to the conventional policy evaluation (Avsar, 2014). For instance, the equilibrium wage, however low it may be, is not only claimed to be efficient but also *fair*. This is a widely held position among economists which is, in our opinion, deeply flawed. We argue that the concept of *merit* underlying this position is irrelevant for the minimum wage debate—a point that will be developed in the following section.

#### **4. THE IRRELEVANCE OF “MERIT” TO THE MINIMUM WAGE DEBATE**

Is the minimum wage consistent with considerations of *merit* since it amounts to paying someone above her marginal productivity? The Supreme Court declared the state-level initiatives to be unconstitutional in the first third of the 20th century specifically on the ground that the minimum wage would amount to an unjustified redistribution from the business to the worker. This view was justified, although implicitly, by the conviction that in a competitive market workers are paid in accordance with their relative contribution (McKenna and Zannoni, 2011). However, this position is logically and morally flawed.

As Brown put it, “economic activity is cooperative and interdependent, and it “free rides” on the hard work, suffering, and imagination of a countless number of persons both living and dead” (2005:5). In a cooperative production relationship, there is no objective metric to calculate relative shares. In other words, marginal productivity theory is not applicable and, in turn, not testable. Even if it does apply, the reality is most likely to deviate from this ideal state, as J.B. Clark himself conceded. More importantly, the Lockean conception of deservingness on which marginal productivity theory has been built is too simplistic, for the relationship between reward and individual effort is much more complex today than commonly assumed. Primarily, the most significant source of wealth creation, the topic of Daly and Alperovitz's (2008) *Unjust Deserts*, is collective goods/assets, including knowledge and productive capacity inherited from past generations to which we have contributed nothing. There is a component of individual income that is not earned in the moral sense of the term that reflects the contribution of such “free gifts<sup>5</sup>.”

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until its landmark ruling in 1937 (McKenna and Zannoni, 2011). However, it must suffice to say that the sanctity of this form of liberty is far from being uncontroversial. There are higher degree considerations (e.g. public interest) that could potentially limit this (or other forms of individual) liberty justifiably. In other words, liberty of contract is not an end in itself.

<sup>5</sup> The relationship between dessert and reward has been called into question by Gladwell (2011) in his book *Outliers*. Accordingly, the primary determinant of economic success is being in the right place at



Lastly, the Lockean individual, the inspiration for *homo oeconomicus*, is assumed to be an able-bodied, autonomous agent, capable of earning his keep. It rests on the assumption that he has no family obligations or other claims on his time. In reality, we, *homo finitus*, face many physical obstacles (e.g. caring for others) that prevent us from developing additional skills that, in turn, prevent us from earning our subsistence (Prasch, 1999). Moreover, skill distribution in a society depends on many factors, the most important of which are pre-birth lotteries such as freedom from genetic disorders or being born with above-average intelligence, and post-birth lotteries such as access to pre-schooling or growing up free of toxic stress. Under these circumstances, society's skill set should be considered, following Rawls (1974), as a "collective asset." Once society's skill set is considered as a collective asset, the minimum wage becomes one of many institutions that could bring about a "redress" that fairness warrants. Moral appeal of the minimum wage is further strengthened by the fact that the working poor may be the greatest philanthropists in our society given their contribution to the provision of many essential services. Today, a typical childcare worker is paid \$9.43; a construction laborer could earn as little as \$9.46. As Ehrenreich eloquently put it, many low-wage workers "neglect their own children so that the children of others can be cared for; they live in substandard housing so that other homes can be shiny and perfect; they endure privation so that inflation will be low and stock prices high. To be a member of the working poor is to be an anonymous donor, a nameless benefactor, to everyone else." (2001:221)

In our opinion, the majority of the American public also recognizes the irrelevance of merit to the minimum wage debate.

## **5. PUBLIC SUPPORT BEHIND THE MINIMUM WAGE: WHAT TO MAKE OF IT?**

Contrary to the standard economic position, which is normatively motivated as argued above, the minimum wage enjoys a great degree of popularity among the American public. Of those surveyed by a Gallup Poll in 2013, nearly three quarters said they would support a \$9-minimum wage (up from the current \$7.25). More recently, voters, including in such politically conservative states as Arkansas where the measure was on the ballot in November 2014, overwhelmingly favored a higher minimum wage. As Waterman (2000) pointed out, the majority support for increasing the minimum wage is more likely due to what the minimum wage *symbolizes* than what it *does* given that those earning at or below the minimum wage in 2014 make up less than five percent of the workforce (Bureau of Labor Statistics). Even with a sizeable ripple effect—which Wicks-Lim (2006) calculated to be extending up to workers earning 123 percent of the minimum wage prior to the increase—the number of those who favor a higher minimum wage exceed by a wide margin the number of the direct beneficiaries of such a change. Therefore, the public support behind the minimum wage cannot be explained by the economic self-interest alone<sup>6</sup>.

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the right time. Epictetus' wisdom notwithstanding, we agree with Gladwell that circumstances *do* make the man.

<sup>6</sup> This political behavior may be considered an example of, what political scientists call, "expressive voting" which is defined as the "action that is undertaken for its own sake rather than to bring about particular consequences." (Brennan and Lomasky, 1993:25).

Why does the minimum wage resonate with the public so strongly? We will associate the popularity of the minimum wage with what Bowles and Gintis (1998) called “basic needs generosity” a phenomenon reflective our evolutionary heritage as hunter-gatherers. A growing body of experimental research into our fairness judgments, involving hypothetical distribution problems, revealed repeatedly that we are mindful of whether or not others are meeting their basic needs (See Faravelli, 2007; Frohlich, Oppenheimer & Eavey, 1987, among others). This point will be elaborated in the following section in which we will discuss the ultimate purpose of the minimum wage in an evolutionary context.

## **6. HUMAN NATURE AND THE PURPOSE OF SOCIETY**

Humans engaged in hunting and gathering (hereafter, foraging) as their primary economic activity until 12,000 years ago, a time span constituting the first ninety percent of their existence on earth. Human nature, inevitably, reflects this evolutionary heritage. As Brown puts it, “the minds given to us in our genetic heritage are the minds of hunter-gatherers” (1999:145)<sup>7</sup>. Economists have been largely silent on the relevance of our evolutionary heritage for understanding human behavior today. Polanyi was a rare exception. He, following Max Weber, questioned the widespread disregard among the economists of his time for the relevance of primitive economic systems to the question of motives and mechanisms of civilized societies. In fact, most of our social norms were formed during a period in which we were foragers. Among these social norms is our sense of fairness, which is a joint product of three considerations: equality, equity (proportional equality), and reciprocity (Corning, 2010). Each consideration becomes applicable/appropriate under relevant circumstances. While we generally gravitate toward egalitarian distribution when it comes to basic needs, we feel a strong urge to ostracize free-riders and reward hard work. It is no coincidence that Social Security enjoys such a widespread appeal globally. It is egalitarian (favoring low-wage workers in the calculation of benefits), equitable (we pay for it), and embodies a reciprocal ideal (it is built on intergenerational cooperation).

As foragers were exemplary in their adaptive skills, studying them can help clarify the purpose of communal living as we revisit social norms essential for its sustainability and stability. Despite vast variations, foragers, “the original affluent society” as Sahlins (1998) once called them, had many common characteristics relevant to the argument of this paper. For instance, reciprocity and sharing in hunting and gathering societies are almost universal. Moreover, these societies have been remarkably egalitarian, particularly in distributing food (e.g. big games). They also re-circulated material items, which resulted in an extreme leveling of wealth (Cashdan, 1989). The Aches of Paraguay, a subject of many ethnographic studies, is a perfect case in point where claims of merit take a back seat to egalitarian sharing<sup>8</sup>. However, this does not mean hard work was not recognized. There were non-

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<sup>7</sup> However, many features of our nature may not manifest themselves as they did in our evolutionary past since our genes produce adaptations in interaction with our environments, which have changed dramatically since we were foragers.

<sup>8</sup> Kishigami () has a more nuanced approach to food-sharing practices among foragers. He argues that, among hunter-gatherers, food sharing takes several forms: (1) exchange, (2) redistribution, and (3) giving. Furthermore, sharing may be dictated by strict rules; or could be *voluntary* where the giver initiates sharing; or could be *demand sharing* where the receiver initiates the sharing. We practice

financial rewards such as social prestige and other privileges granted to productive members of the group. Among the !Kung, for instance, successful hunters take a few weeks off to eat others' catch. Moreover, Boehm (1999), who studied many simple societies, concluded that non-social behavior such as hoarding was either absent or was not seen in a favorable light.

What is the relevance of foraging for us today? One may argue that distribution of resources for foragers is determined by a set of customs that are different than those seen in a market economy. This could be explained, in part, by the “impersonal” nature of economic cooperation in the market economy driven expansion of trade and specialization. It is natural to expect much less altruism toward a party to whom we have no *personal* connection. Does the market economy call for a fresh set of distributional principles unique to the nature of cooperation that it represents? We do not think so. Although population pressure combined with resource constraints may have called for a more innovative and hierarchical organization of economic life to tackle more complex coordination problems (for more details see Johnson and Earle, 1987), human groups, be it clans or nation states, have always been tasked to meet the (biological) survival challenges of their individual members subject to the resource/technological constraints. F. D. Roosevelt (1937) echoed this sentiment in his appeal to the Congress: “Our Nation so richly endowed with natural resources and with a capable and industrious population should be able to devise ways and means of insuring to all our able-bodied working men and women a fair day's pay for a fair day's work.” In other words, meeting the survival needs of individuals is the society's *raison d'être*. The fate of individuals has always been, inevitably, bound with that of the community of which they were a part. As Polanyi (1968) observes, “... community keeps all its members from starving unless it is itself borne down by catastrophe, in which case interests are again threatened collectively, not individually.” (p.7) For this reason, the “collective survival enterprise” is a fitting description for society (Corning, 2010). It is no coincidence that a significant portion of daily economic activities is geared toward meeting basic (survival) needs. This was as true for foragers as it for us today. In other words, the purpose of communal living essentially has not changed.

What is the role of the minimum wage in a collective survival enterprise? Polanyi (1968) identified two alternative principles of distribution: reciprocity and redistribution. As the economic cooperation becomes more complex and less personal, one may not rely on reciprocity alone and redistribution presents itself as a necessity. Therefore, the minimum wage should be considered as an institution whose primary function is aiding through redistribution those who are participating in productive activities to meet their basic needs, akin to the ways in which foragers shared food—when the collective bargaining is absent. As Commons pointed out, the lack of the collective bargaining prevents (distributional) conflicts from getting resolved from positions of *equality* (Barbash, 1989). In other words, employees and businesses are not equal.

Our argument up to this point could be summarized as follows. The minimum wage was designed to raise wages to a level consistent with the maintenance of the health and well-

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these forms in various realms of daily life. The modern equivalent of *voluntary giving* would be volunteering or charitable donations. Begging, similarly, could be considered as an example giving initiated by the receiver. Market transactions are (at least on the surface) reciprocal voluntary exchanges. Tax/transfer programs amount to *redistribution* based on strict rules etc.

being of the workforce. Modern market economy is built on *indirect* cooperation among many where power is asymmetrically distributed and collective bargaining is largely absent, the minimum wage is one of few practical measures to materialize our commitment to meeting the basic needs equally for all those participating in the reproduction of the “collective survival enterprise” on which we all rely.

In the following section we will compare our approach to the minimum wage to that of the old institutionalism of Webb and Clark. Although the old institutionalist scholars provide a compelling framework<sup>9</sup> within which the minimum wage should be debated, their arguments did not feature proper moral foundations. This is the gap we intend to fill in the final section.

## **7. THE MINIMUM WAGE AND THE FULL SOCIAL COST OF LABOR**

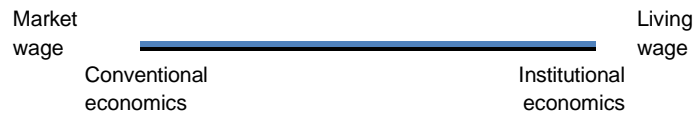
The (old) institutionalist literature, which overlaps with our approach here, offers a proper context within which the role of the minimum wage should be evaluated. Old institutionalist scholars pointed out that any difference between a living wage (required to afford basic needs) and the market wage will be assumed by the public. As Webb put it:

“The continued efficiency of a nation’s industry obviously depends on the continuance of its in health and strength. For an industry to be economically self-supporting, it must, therefore, maintain its full establishment of workers, unimpaired in numbers and vigor, with a sufficient number of children to fill all vacancies ... If the employer in a particular trade are able to ... hire [labor] for wages actually insufficient to provide enough food, clothing, and shelter to maintain them permanently in average health ... that trade is clearly obtaining a supply of labor force which it does not pay for.” (1912:987-988)

Social cost of labor will eventually be shifted to society since there are government programs to cover some of these costs. Indeed, as Champlin and Knoedler point out, “this is exactly what social programs do. Medical care, food stamps, child care, low-income housing, and other programs for the working poor are absorbing the unpaid overhead costs of labor.” (2004:84) For instance, 7 million households received food stamps to supplement their earnings from work in the year 2013 alone (Source: CBPP). This is an apparent subsidy from the public to businesses paying substandard wages. The alternative is holding businesses responsible for paying a living wage. Therefore, we have two alternative distributive arrangements located on the opposite end of a continuum that represents the way in which society can “pay” for the full social cost of labor and prevent society’s skill set, a collective asset, from deteriorating. The position on which society falls on the continuum is not self-evident as the old institutionalist scholars believed, as the resources necessary to replenish labor power may not be delineated from those that equip one with further capabilities unrelated to work. It is certainly a political/moral decision. As we see it, the conventional and institutionalist approaches occupy the opposite ends of the spectrum regarding this matter.

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<sup>9</sup> Institutional scholar were also active in pushing minimum wage legislations through. For instance, John R. Commons drafted the Wisconsin minimum wage bill in 1913.



We do suggest that a “reasonable” minimum wage is consistent with our basic needs approach and distributes the “overhead cost” (Clark, 1923) of workers between the businesses and the public in a politically/morally acceptable fashion. Consider the poverty line for a family of four, \$23,850, to be the threshold that determines how the social cost of labor to be shared between businesses and the rest of the public. In this case, the minimum must be about \$11.50, much higher than its current level—while far below the living wage. Whether or not the minimum wage determination should be separated from consideration of family circumstances (e.g. family size)—that could potentially be addressed through other programs such as EITC<sup>10</sup>—should be open for debate.

A threshold formulated along the lines suggested above would have two appealing features: it indexes the minimum wage to the poverty line; and, since the poverty line determines the eligibility for publicly funded programs, it splits the social cost of labor between businesses and the public in a *transparent* fashion. We are not suggesting that a golden ratio exists. Nor do we claim that a poverty line is an adequate threshold as it exists. This numerical example is suggested as a mere thought experiment to articulate the essence of our approach to the minimum wage and our departure from the old institutionalist position.

## **8. CONCLUDING REMARKS**

Our evolutionary history shows us that each society has to cherish certain social norms to maintain stability and effective cooperation among its members. Such norms are vital for society’s long-term viability. This is clearly on display among foraging societies. The contemporary debate about distributive justice in general and the domain of egalitarian sharing in particular is fixated on such values as deservingness and merit. We have attempted to convince the reader of the irrelevance of deservingness to the minimum wage debate and to reframe the moral appeal of the institution along evolutionary lines. Given the impersonal nature of economic cooperation and interaction, the minimum wage, we suggest, is the most practical, the administratively simplest, and a fair way to split the full social cost of labor between businesses and the public, thus eliminating the negative externalities associated with the use of labor. The function that the minimum wage serves in the market economy is a legitimate one in the sense that it coheres well with values held by the majority of the public: when it comes to basic needs, equality (as opposed to individual merit) is the operational norm.

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<sup>10</sup> In 2014, a married couple with a single child with only one spouse working full-time at a minimum wage paying job, is entitled to the following benefits: EITC, Child Credit, and SNAP worth more than \$7,000. None of these benefits are available to a single earner with no child. (Falk, Gabe, Bradley, 2014)

Secondly, we wanted to point out that determination of the minimum wage has long been detached from basic needs considerations in the U.S. If we go back to the state-level minimum wage experiments preceding the passage of the FLSA, we can clearly see the attention given to the “adequacy” of wages. For instance, the Massachusetts minimum wage commission, formed in 1913, set its initial goal as an inquiry “into the wages paid to the female employees in any occupation in the commonwealth, if the Commission has reason to believe that the wages paid to a substantial number of such employees are inadequate to supply the necessary cost of living and to maintain the workers in health” (Kelley, 1912). This paper intended to inform a much needed conversation on *how* the minimum wage should be set.

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