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EDITORIAL

Minimum Wage Laws: Discriminating Against Low-Skilled Workers

In this year's edition of the annual political show known as the State of the Union Address, President Obama called for the federal minimum wage to be raised from its current \$7.25 per hour to \$9, and indexed for inflation.

However, like so many other government programs enacted by well-intentioned saviors of the lower class, the minimum wage has harmed the very people it was purportedly enacted to help. As Milton Friedman said, "The minimum wage law is most properly described as a law saying, 'Employers must discriminate against people who have low skills.'"

There are many possible reasons why someone may have low value as a prospective employee, including lack of skills, education or work experience. An employee will only be hired if he provides a reasonable benefit to the employer. Therefore, all those people whose labor is worth, say, \$6 or \$7 an hour will now be priced out of the labor market, all because of some well-intentioned suits in Washington believing that they can determine a worker's value better than he himself can.

Predictably, the negative consequences of the minimum wage fall on those individuals at the bottom of the labor chain, and on those ethnic/age groups that generally have the lowest levels of education and skills — most specifically black teenagers, a demographic whose unemployment rate is currently more than five times the overall unemployment rate.

Most importantly, the minimum wage law has no place in a free society, for it is an immoral intrusion into what should be a free market. Consenting adults should have the right to agree on the price they pay and receive for labor, just as they have the right to agree on the price they pay and receive for any product. Each individual is most aware of his own value, how much he is willing to work for, and should be the only decision-maker in that process.

It is simply impossible for any group of people — including people who wear fancy suits and work in Washington — to know the "proper" value of the labor of an individual he or she has never met and knows nothing about, whether an immigrant farm worker, a young stock boy or a secretary just out of high school. To legislators, \$5 or \$6 an hour may seem like very little money, but it's a lot more than \$0, the wages of someone who is unemployed due to being priced out of the market.

The minimum wage essentially is a tax for a social program that falls exclusively

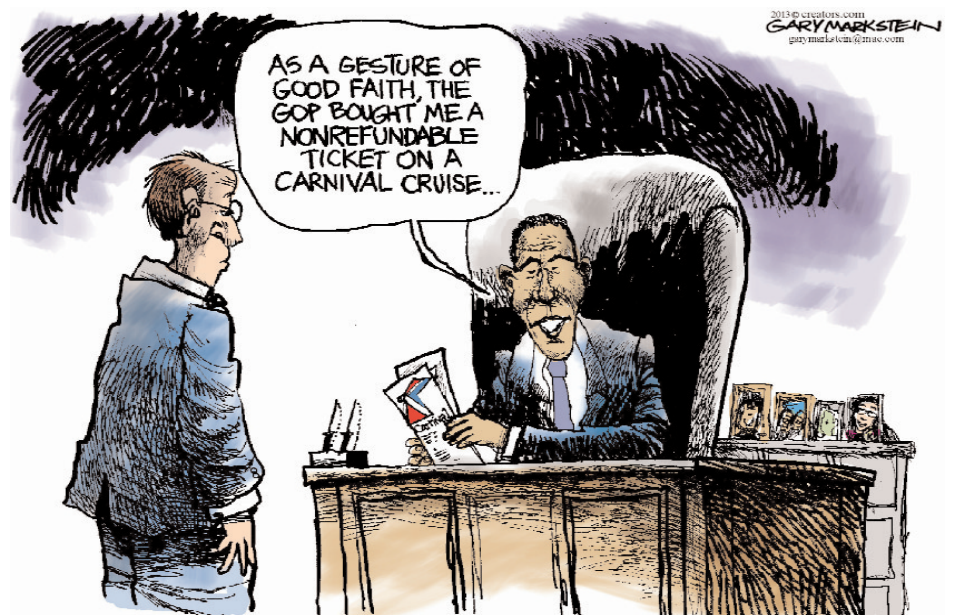
on one person or entity: the employer. If the government believes people should make a certain minimum amount of income, then that cost should fall on society as a whole — through general tax funds — rather than on an individual employer. Confining the cost to employers is unfair to them, and harms employees by artificially raising the cost of their labor.

Of course, even with an increased minimum wage, there are a certain number of employees that a business owner will have to hire. But employers will have to make up these costs somehow: perhaps by hiring fewer workers, or by raising prices on products. This will increase the cost of goods and services purchased by everyone, including the minimum wage worker, who may now have more money to spend, but finds that the cost of living has also risen.

Furthermore, as George Mason University economist Russ Roberts points out, there are so many other aspects of employment besides the usually-discussed issues of price and quantity, including how hard you have to work, how many breaks you get, how kind and understanding the employer is, how nice the walls of the office look, et cetera. The government artificially raising the cost of employment can have negative consequences on many other aspects of employment.

The great economist Armen Alchian died on Tuesday at the age of 99. In a 1977 essay titled "Economic Laws and Political Legislation," he said:

"Minimum wage laws ostensibly devised to raise wages of the lowest wage earners do not. The number of employees an employer can profitably hire is reduced. Some lose jobs and must work at lower paying jobs exempt from the law, or if none is exempt, work as self-employed, for which there is no minimum wage law, or simply leave the workforce, or substitute poorer working conditions for the higher wages. Even those who retain jobs are not better off in the long run. Some who would be displaced will offer to work (at the higher wages) with less nonmonetary pay — stricter discipline on the job, poorer circumstances such as less time off, fewer coffee breaks, vacations, or fringe benefits. Employees will offer to forsake some of those things for the higher required wage rate to retain existing jobs, rather than take the inferior alternative of working in jobs not covered by the law, or becoming self-employed or departing from the labor force into 'leisure.' Economic law is not suppressed by legislated law."



OPINION

Egypt: Too Big to Fail?

BY ADAM TURNER

Recently, Egyptian President Mohammed Morsi of Egypt, a supposed "moderate" Islamist, met with Iran's anti-Semitic, genocidal president, Mahmoud Ahmadinejad. Reportedly, they had a friendly discussion. Perhaps, in addition to the official topics, they also conversed about their mutual anti-Semitic attitudes. President Ahmadinejad is already well-known for his hatred of the Jews. President Morsi's bigotry, on the other hand, has only publicly come to light this past year. In 2010, President Morsi delivered a speech urging Egyptians to "nurse our children and our grandchildren on hatred" for Jews. Soon after, Morsi described Jews as "these bloodsuckers who attack the Palestinians, these warmongers, the descendants of apes and pigs." When confronted by U.S. Senators on his impolitic language, Morsi implied that this was only a controversy because the American media was controlled by Jews.

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But the two Islamist presidents have much more in common than just their anti-Semitism. Both lead radical, dictatorial, and anti-American regimes. Like the radical Iranian government has since 1979, President Morsi and his Muslim Brotherhood Party continue to crack down on pro-democracy demonstrations in their country (Egypt), persecute independent members of the media, and actively pursue death sentences against Westerners or Americans engaging in Free Speech in the West.

Unfortunately, none of this negative behavior by Egypt's leadership seems to matter much to the U.S. government. The administration's immediate response — sending four F-16 fighter jets to Egypt. A bipartisan Congress voted to support the sale. This is all part of the \$1.5 billion or so U.S. aid, most of it military, which has gone to Egypt annually since 1979.

When questioned about the consistent

flow of U.S. aid to Egypt, the same argument is often made by the foreign policy elites — Egypt is the colossus of the Arab world, and it would be irrational and unwise for the U.S. to simply let it become a rogue state, or to collapse, as a failed state. And so the U.S. money spigot must be kept consistently open, if not cracked a bit wider, regardless of how the Islamist-run Egyptian government acts. In fact, if you persist in doubting this wisdom, sometimes you are belittled as an ignorant isolationist-like opponent of all foreign aid.

But let's re-examine that pearl of conventional wisdom regarding U.S. aid to Egypt. It simply isn't valid, as Egypt under the MB is already a rogue state, and it is also pretty much guaranteed to become a failed state.

The fact that Egypt is a rogue state should be patently obvious at this point. The Egyptian MB has produced Hamas in Gaza, a well-known terrorist organization. In fact, the MB and Hamas are so close that thousands of Hamas warriors may have been sent to Egypt to help President Morsi protect his regime by crushing Egyptian democratic protestors. President Morsi and his MB have already shown their willingness to corrupt the democratic process, kill Egyptian demonstrators, discriminate against the Coptic Christians, allow for the harassment... of women, and prevent the exercise of a culture of freedom of speech among ordinary Egyptians and foreigners alike.... Even President Obama — in a moment of clarity — revealed that he is unsure whether Egypt's MB regime is an ally of ours.

Egypt's coming economic failure is not so obvious, perhaps because of Western wishful thinking. But, as David Goldman writes, Egypt currently requires more than \$22 billion a year simply to meet its basic needs. Because of the increasing violence there, the once flourishing tourist industry is kaput, and people with money and knowledge and skills are fleeing. A black market of U.S. dollars has developed. Almost half of the population is illiterate. There are no major sources of oil, natural gas, or other natural resources in the nation. In other words, Egypt can't — and/or won't — continue to exist without outside help. So, the question is: is the U.S., or the world, ready to supply that \$22 billion — every year — to prop up the Islamist regime of Mohammed Morsi?

Perhaps some believe that the Gulf

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