Economic Reality is Sneaky

Kevin Williamson is one of the best economics writers around, especially for a non economist. His style follows in the tradition of Henry Hazlitt and his classic Economics In One Lesson, bringing economic theory into common experiences. This is from the latest from National Review, How to Think about Low-Income Housing:

> *That is where so much progressive economic policy goes wrong. Ignoring the physical facts of supply and demand in the real world, progressives attempt to game the record-keeping system in order to produce advantages for politically favored clients or disadvantages for politically disfavored rivals. That's what raising the minimum wage is all about: The guy who owns your local Burger King franchise values one hour of 17-year-old fry-guy labor just the way he values it. That calculation is inescapably complex — so complex that it never ends up being an actual calculation — taking into account what the product of that hour's labor can be traded for and the value of that trade relative to the price of the labor. What an hour's fry-guy labor is worth is bound up in a vastly complex web of value judgments, and the boss's value judgment isn't necessarily the most important one: Customers have a say, too. So does the guy who wants your job and is willing to do it for a little less money or who is able to do it a little bit better for the same money. So does the guy who figures out how much interest to charge the boss on the loan with which he buys his new BMW. All of those things are, for lack of a better word, real.*
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> *Passing a law that says you have to pay the fry-guy x + y instead of x does not change the value of the fry-guy's labor relative to everything else that is produced and consumed. Not really. Ultimately, it is just a change to the record-keeping system. You could pass a law that says we have to pay 15-year-old baby-sitters eight times what we pay hedge-fund*

managers or brain surgeons, but that is not going to change how we actually value their respective labor. Government can get pretty aggressive about this stuff, which results in fairly predictable market distortions: When the federal government instituted wartime wage controls, employers looking to get the labor they actually valued on terms consistent with their actual valuation of that labor started paying employees in health insurance and company cars instead of paying them in money. The modern practice of offering "fringe benefits" in the form of paid sick leave, vacation time, and other employee perks is a direct response to the policies of the War Labor Board in the 1940s. (It is a big part of why our health-care system stinks.) The lesson: Even in times of war and the heavy-handed economic interventions associated with them, reality finds a way of sneaking around the record-keeping system.