

## Re: The minimum wage was \$8 an hour in 1968

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"Senior Economist" <economist101@lycos.com> wrote in message news:1874c8f0.0410211402.2fd2bb98@posting.google.com...

> *In 1968 the Minimum Wage was \$1.60. That is the equivalent of \$8 an hour in 2004 dollars. Given that we are a richer society 35 years later, the minimum wage should now be close to \$12 an hour.*

Definately in states with a higher cost of living, perhaps \$10 in some others.

BTW, in my area friends who work in areas that use undocumented Latino workers tell me they have to pay ten dollars an hour to get someone to do landscaping, unskilled construction, and similar hard labor jobs. Now that's the market setting a minimum wage, and at 60% more than the state's minimum wage that tells you how far out of sync the legal minimum is with economic reality.

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> *Higher wages means more money to spend – if prices rise, people will have the money to buy the higher priced products. More money in the hands of consumers will stimulate the economy, make it more productive and make us all richer. We will also save money as crime disappears and our economy reaches full employment.*

All generally true, particularly because a rise in income is spent at a higher proportion the lower the person's income to start with, so a poor person spends a greater percentage of additional income than a middle-class one.

However, we will never see full employment. There is a healthy structural unemployment rate when you have sufficiently flexible labor markets, probably around 2–3%. Anything less than that, and wages will be driven up as companies are unable to fill jobs, and you get an inflationary spiral.

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> *Higher wages equal higher tax revenues. Instead of cutting taxes, we should raise wages. If we want wages to rise, we should begin raising them at the bottom, and the higher salaries will follow.*

sci.econ: Re: The minimum wage was \$8 an hour in 1968

Well, actually, no. Most of the people working at minimum wage pay social security (payroll) taxes, but pay little or no income tax. In fact, we need to expand the earned income tax credit to assist and encourage people earning barely enough to feed themselves, which of course would cut in to tax revenues.

But it's a better idea than giving tax cuts to people with six figure incomes (self included), and certainly more progressive than handing a flat child tax credit to everybody, including the wealthy.

Bo Raxo