in low-paying industries by minimum wage laws. Classical economic theory doesn't dispute that.

America magazine (April 4, 1959, p. 8) at least deals with an actual prediction of the theory when the editors observed: "In the halting progress of the legal minimum wage from 40¢ an hour in 1939 (sic) to $1.00 today, none of these dire predictions has been fulfilled. There has been no erosion of jobs. . . ." It should be noted in connection with this observation, made with no evidence cited to support it, that since World War II, with the Federal minimum wage law in operation, successive business cycles have each left an increase in unemployment. This pattern has been interrupted only recently, probably by the tax reduction. We have also witnessed a "depressed area problem." Both are in accord with the theoretical predictions of the effect of minimum wage laws, but since there are many factors working in the economy we cannot conclude without detailed studies that these problems are caused by the law. However, detailed studies of the law have been made and I will present some of the results.

Effect on Low-Wage Industries

The effect of raises in the legal minimum on employment in various low-wage industries covered by the law is summarized in *Manpower, Productivity, and Costs* by Professor Yale Brozen of the University of Chicago. In the two years following the establishment of the 25¢ per hour minimum wage rate in October, 1938, 14 per cent of the workers in seamless hosiery plants lost their jobs. Likewise, when the rate was raised to 75¢ an hour employment in southern pine saw mills dropped by 17 per cent. Similar employment drops occurred in the cigar, fertilizer, shirt, footwear, and canning industries. The Bureau of Labor Statistics found an 8 per cent decline in total employment during the year following the increase to $1.00 in the five low-wage industries it chose for detailed examination. The application of the $1.00 minimum wage in 1961 to a certain sector of retail trade brought an 11 per cent decline in employment to that part of retail trade, while retail trade employment in the other sectors and in the nation rose. In each of these cases cited above, while employment in the protected low-wage industries dropped, sales, production, and employment were rising in the United States as a whole, because these figures were compiled during a cyclical upswing.

Another study of the economics of the minimum wage law is the Ph.D. thesis of David E. Kaun, Stanford University (1964), which is summarized in *Dissertation Abstracts, 25,* no. 2, p. 881. Kaun studied fourteen low-wage industries, with large segments located in the South (where the direct effects of the minimum wage are greatest). He considered the behavior of wage distributions, employment, and labor force composition, among other things. His list of findings include "relative adverse employment effects occurring where the impact of the minimum wage is greatest," and "increases in the minimum wage appear to have adversely affected employment opportunities for certain classes of labor, namely, Negroes, females, younger workers, and workers living in rural farm areas." He concludes that his analysis "results in conclusions generally in agreement with the implications derived from the competitive hypothesis," i.e., classical theory.

A Cornell University study of the $1.00 minimum wage law on New York retail trade, some of the results of which are given in *Monthly Labor Review,* March, 1960, pp. 238-42, found that the law resulted in

- lower profits to stores
- reduced hours for part-time help
- the laying off of workers, especially "inefficient" ones, which, the study explains, means elderly, handicapped, and part-time help
- reduced store hours, and
- "more careful recruitment of employees," which is explained to mean exclusion of the elderly, Negroes, and other "less acceptable" employees.

The Ph.D. thesis of M. A. Malik, University of Michigan (1963), summarized in *Dissertation Abstracts, 25,* no. 3, p. 1616, reports that of twelve low-wage industries studied in the United States, eleven experienced employment declines in the immediate period of two or three months after the establishment of the $1.00 minimum (remember this was during a general economic upswing). Of these, ten continued to show employment declines a year later. Since there are many other constantly changing factors which influence the employment situation in any given industry, Malik tried to find alternate explanations for the employment reductions in these industries. But in at least five of the industries he could find no other reasonable explanation — the employment decline must be due to the minimum wage law. As expected, the industries where the law had the greatest impact regis-