The Rhetoric and Reality of Minimum Wage Law

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Abstract

Minimum wage law was first introduced as a public policy with the noble intention of creating a minimum standard of living and protecting the health and well-being of employees among the poorest sections of the population. This has generally been regarded as a moral duty of governments. Free market economists, however, have argued that the minimum wage law harms the very people whom it purports to protect. Explicating the concepts of rhetoric and reality this paper argues that because the real causes of rising poverty are so numerous and different in different countries, minimum wage laws can never reduce poverty in any nation.

The Concepts of Rhetoric and Reality

According to Aristotle, rhetoric is a counterpart of both logic and politics called 'the faculty of observing in any given case the available means of persuasion' (Rhetoric, Wikipedia). It typically provides heuristics (intelligent guesswork rather than following some pre-established formula) for understanding, discovering, and developing arguments for particular situations. These include three persuasive audience appeals – ethos, pathos and logos, each of which has a different meaning. Ethos is an appeal to ethics, pathos is an appeal to emotion, and logos is an appeal to logic or reason ((Rhetoric, Wikipedia).

While it is true that rhetoric has a clear persuasive function, it also has an epistemic function, serving as a way to discover what is known and what can be known about a subject. Any communication in any language, in speech or in writing, is a rhetorical act. Hence, it can be said that rhetoric is simply the intentional use of language to influence an audience ('An Introduction to...'). Whether it is for ethical purpose or unethical purpose depends on the intention of the person using the rhetoric.

In common parlance, however, the term 'rhetoric' generally has a negative connotation, mainly arising from its persuasive function to deceive or sway people unethically resulting in unpleasant experiences of people who are succumbed to promises which are later found to be empty or dishonest such as those made by many politicians (Rhetoric, Wikipedia).

In its simplest form, reality is defined as the state of things as they actually exist, rather than as they may appear or might be imagined. Some examples are mountains, rivers, cities and human beings. In the widest sense, reality includes everything that has existed, exists, or will exist, whether or not it is observable or comprehensible (Reality, Wikipedia). Logically then, what is seen to be real can sometimes be unreal. The sun, for example, is seen to rise and set, although in reality it is stationary and the appearance of rising and setting are just the results of an invisible reality of the earth's rotation. Realities can also be invisible and intangible such as the law of gravity, x-rays, magnetic fields, electromagnetic radiation and nuclear radiation.

Reality can also be constructed like a conjurer materializes objects from thin air. As Ruth Hines while explaining the nature of financial accounting says, 'in communicating realty, we construct reality' (Hines, 1988). In particular, she explains how revenue is recognized i.e. considered to be earned at any of several points in the earning cycle. Hence revenue becomes real when it is decided to be 'real-ized' i.e. made real.

In addition, entire disciplines of studies can be based on constructed realities. Neoclassical economics, for example, is said to be 'built on a conception of the economy as the sum of the atomised actions of millions of utility-maximising individuals, where markets are stable, information is perfect and capital and labour are equals' (Milne, 2013), although these do not match with what exist in the physical world. This intellectual monoculture of free-market orthodoxy has not only helped create the prevailing economic crisis but it has also given credibility to policies that have led to the crisis as well as the continued perpetuation of the same policies.

These, however, do not deter the believers from continuing to adhere to this faith. For example, even after conceding that he didn't know what caused recessions, Eugene Fama, architect of the 'efficient markets hypothesis' has still insisted that his theory has been vindicated (Milne, 2013). Similarly, most mainstream economists have carried on with this intellectual monoculture for the last four decades, since the ascendancy of Thatcher and Reagan, as if nothing had happened (Milne, 2013).

Hence, while many things with actual existence whether visible or invisible and tangible or intangible are considered to be real, there are still things with no proven actual existence in any form that are constructed as realities as well. Ideas such as creation, evolution, angels, demons and reincarnation cannot be proven with any evidence and yet they are realities in the minds of millions of people.

As most such realities are created by use of rhetoric, the difference between rhetoric and reality becomes difficult to discern. And so long as the audience is persuaded to believe in these they not only become and remain realities for them but the created realities also define and shape their values, beliefs, cultures and behaviour as well. Recently created realities such as the Millennium Bug, Weapon of Mass Destruction, Global Warming and Climate Change all have achieved behavioural outcomes to certain degrees.

Whether the proclamation that poverty can be reduced by raising the minimum wage is rhetoric or any of several forms of realty designed to achieve certain behavioural outcomes is the subject of investigation in this paper.

Origin and Purpose of Minimum Wage Law

Expressing immense concern for families still living below the poverty line even with the tax relief, in his State of the Union address in February 2013 the President of the United States of America Barak Obama said 'That’s wrong'. Then calling the Congress to raise the minimum wage from $7.25 to $9 an hour he proclaimed, 'Let’s declare that in the wealthiest nation on earth, no one who works full time should have to live in poverty' (Lawrey, 2013). Are these rhetoric or reality? The statements contain all three ingredients of rhetoric. That *families still living below the poverty line is wrong* has appeal to emotion; *no one who works full time should live in poverty* has appeal to ethics, and *in the wealthiest nation on earth* has appeal to logic or reason.

This paper discusses whether the persuasive power of this rhetoric, as well as several others like it, is used for ethical purpose or is it used to deceive or sway people unethically and thereby refute or confirm the negative connotation of this term in common parlance.

The minimum wage law was first introduced in the US in 1938. US, however, was not the first to do this. New Zealand was the first country in the world to implement a national minimum wage in 1894 (Minimum wage law, Wikipedia). The notion of a minimum wage for the poor is not

new. It was advocated by Adam Smith in the *Wealth of Nations* in the 1790s (Martin, 2011). It is argued that the conservatives hijacked the true legacy of Adam Smith and transformed him into a two-dimensional 'hero of commerce' whose works conveyed one and only one lesson: that 'all trade should be free' (Martin, 2011). The real Smith, it is contended, 'was warmly sympathetic to the poor, favoured political as well as economic liberty, and tolerated government interference, especially when the object was to reduce poverty' (Martin, 2011). This was not just theory but was actually put in practice. For example, when grain prices in Britain began to climb significantly around May 1795 and stayed between 66% and 100% higher than usual until October of 1796 and the rural poor were seriously affected by the increase in living costs, legislation was introduced in December of 1795, that justices of the peace (county-level officials) should have the ability to fix minimum wages for 'labourers in husbandry' (Martin, 2011). About a century later, the United Kingdom created Trade Boards (in 1909) to set minimum wages for different industries. In 1945 the Trade Boards became Wages Councils. These were abolished in 1993 and a National Minimum Wage (NMW) was introduced for the first time by the Labour government on 1 April 1999 (Minimum wage law, Wikipedia).

Commencing in Victoria in 1896 and followed by other states, the notion of a "basic wage" was established in Australia in 1907 (Minimum wage law, Wikipedia). In 2010 the full-time minimum wage in Australia is $16.37 per hour or $622.20per week (Fair Work Commission, 2010). The International Labour Organization established the Minimum Wage Fixing Machinery in 1928 for the adoption of certain proposals with regard to minimum wage-fixing machinery (Minimum wage law, Wikipedia). Today, more than 90% of all countries are said to have some kind of minimum wage legislation that prohibits employers from hiring workers for less than a given hourly, daily or monthly minimum wage (Minimum wage law, Wikipedia). Clearly, the main purpose of such legislation has been to ensure that the workers are not exploited by the employers and they get a fair share of the wealth that is created by their labour. This, in turn, should also result in a more equitable distribution of wealth among different sections of the population and help reduce poverty in the country.

Failure of the Minimum Wage Law

If the purpose of the minimum wage law was to reduce poverty and achieve a more equitable distribution of wealth then it has failed miserably. The minimum wage law in the US was introduced in 1938. After 75 years, in 2013, the President of the US confessed there were American families still living below the poverty line and called it 'wrong' (Lawrey, 2013).

The US Census Bureau report issued in September 2012 'revealed that the ranks of those classified by the government as poor remained at record highs in 2011, while the gap between rich and poor widened further. Some 46.2 million people remained below the official poverty line in 2011, the highest number in more than half a century. The 15.0 percent poverty rate, essentially unchanged from 2010, was the highest since 1983' (Damon and Grey, 2012). Child poverty increased from 22 percent (15.7 million) in 2010 to 23 percent (16.4 million) in 2011 (Watson, 2013**)**. More than one in four children under five i.e. 26 percent were officially poor in 2011 (Watson, 2013). A new report from the Bureau of Labour Statistics (BLS) showed that of the 46.2 million living below the poverty line the 'working poor' accounted for 10.4 million of this number, or nearly a quarter of all those living in poverty according to government guidelines (Randall, 2013). The 'working poor' is a new phenomenon that refers to those who have jobs and yet they don't earn enough to rise above the poverty line.

Another US Census Bureau report released in September 2013 showed poverty was still at a near-generation high of 15 percent (Gaist, 2013). According to the report, 46.5 million Americans, including 9.5 million families, lived in poverty. Some 20.4 million people lived on an income less than 50 percent of the official poverty line, 7.1 million of these being children under 18 (Randall, 2013). A Gallup poll released in August 2012 showed that tens of millions of American families continue to face the threat of hunger. It further showed that in 15 of the 50 states, at least 20 percent of the population reported that they did not have enough money for the food they or their families needed on at least one occasion in the previous 12 months (Daniels, 2012).

In the erstwhile automobile producing city of Detroit with a population of just over 700,000, 54 percent of the children i.e. 100,000, were officially living in poverty (Hanover, 2012). With the booming production of Chrysler and General Motors in the 1950s, Detroit had become the economic engine of the US with car production generating one out of every six jobs nationally (Hanover, 2012). The Commission on Economic Opportunity (CEO) reported that in New York as of 2011 over 20 percent of the residents in America's most populous city lived in poverty (Guelpa, 2013). The report went on to say that New York City, the capital

of world finance, where the Wall Street elite was reaping record profits, was also one of the most economically unequal cities in the world (Guelpa, 2013).

According to the US Census Bureau's American Community Survey (ACS) released in September 2012, poverty in Michigan increased a staggering 66 percent since 2001 (Watson, 2012). This was the largest increase in poverty in any state in the country. Three-fourths of this rise occurred before the recession began in 2008. Michigan's poverty rate continued to rise sharply through 2011, to 17.5 percent up from 16.8 percent just a year earlier reaching well above the national average of fifteen percent (Watson, 2012). The report went on to say that almost 1 in 4 children in Michigan lived in poverty. Child poverty rose to 24.4 percent in 2011, up from 23.1 percent in 2010 and 14.2 percent level in 2001 and Michigan was in the worst third of the nation for child poverty (Watson, 2012).

Thirteen other states, all in the US south or southwest and the District of Columbia, had child poverty rates even higher. Mississippi continued to have the highest child poverty rate in the nation at 32 percent. North Carolina recorded 25.6 percent, and West Virginia had 25.8 percent. The city of Detroit had a child poverty rate of 57.3 percent and household poverty in Detroit was 41 percent (Watson, 2012).

According to reports issued by the US Census Bureau and the Fiscal Policy Institute, in 2013 every second child in upstate New York cities was growing up in poverty (Filips, 2013). In Syracuse, 38 percent of the city's residents were living below the official poverty level of $23,550 for a family of four. Rochester's rate for child poverty was approaching 50 percent (Filips, 2013).

The story of poverty in every other US state was no different. It is remarkable that all these have happened despite the minimum wage law not only being firmly in place and minimum wages rising at regular intervals in the past, but also with the subject being raised again to solve the problem that was worse than ever before.

Minimum wages for different industries were first introduced in the United Kingdom in 1909. In 2012, after 103 years, Save the Children estimated that around 3.5 million children were still living in poverty across the UK; this figure was expected to rise by another 400,000 by 2015 (Thompson, 2012). Behind these increases in child poverty were also 'the day-to-day struggles of families on low incomes—many of them in work, but still in poverty' (Thompson, 2012). It was further revealed that the growth of the 'working poor' was staggering. Whereas in the mid-1990s, 45 percent of children in poverty had working parents, today the figure was 61 percent (Thompson, 2012). Just as in the US, this shows that despite the existence of a minimum wage law, the new phenomenon of the 'working poor' had become widespread in the UK as well.

National minimum wage was implemented in New Zealand in 1894.Two reports published in New Zealand after 118 years, in September 2012, showed that 'the gap between rich and poor widened in 2010-11, taking inequality to its highest-ever level. Incomes of middle and lower paid workers fell sharply, while those of the rich increased. Child poverty, which under both National and Labour-led governments had more than doubled since 1985, remained entrenched at 25 percent' (Braddock, 2012). The report highlighted the sea-change underway in the lives of working people where incomes of households fell by as much as 5.5 percent (Braddock, 2012). From 2010 to 2011, the Gini coefficient—a common measure of social inequality—reached its highest level in 30 years (Braddock, 2012). The proportion of households with a single person of working-age in poverty trebled from 10 to 30 percent for the period from the 1980s to 2007, and accelerated again in 2011 to 35 percent (Braddock, 2012). Two out of five poor children came from families with at least one adult in full-time work. This was evidence of the deteriorating situation facing the 'working poor' (Braddock, 2012), a phenomenon that was becoming common across the world.

The minimum wage law in Australia was established in 1907. After 80 years, at an election campaign launch on 23 June 1987 former Labour Prime Minister of Australia Bob Hawke pledged, 'by 1990 no Australian child will be living in poverty' (AAP, 2007). Twenty years later in 2007, the former Prime Minister Bob Hawke said his comment was one of his biggest regrets (AAP, 2007). He just could not deny the reality. This reality was that while about 580,000 Australian children lived in poverty in 1987, at least 13 per cent of children or 730,000 were in poverty by 2007; an increase of 26% in poverty level (AAP, 2007). The same can be said for virtually all other countries where minimum wage law has been introduced.

A recent study released by the Helsinki-based World Institute for Development Economics Research of the United Nations University showed that the richest 2 percent of adults in the world owned more than half the world's wealth (Glantz, 2006). The research also found that the richest 1 percent of adults owned 40 percent of global assets in the year 2000, the richest 10 percent of adults accounted for 85 percent of the world's total, and the assets of half of the world's adult population accounted for barely 1 percent of the global wealth (Glantz, 2006.). This type of inequality in some countries was much worse.

Measures for minimum wage in Russia (former Soviet Union) were outlined in the Workers' Decrees soon after the 1917 revolution (Soviet Decree, Wikipedia). The minimum wage in 2013 was 30.03 rubles or 0.76 Euros per hour (List of sovereign states in Europe by minimum wage, Wikipedia). The Global Wealth Report issued by Swiss Bank Crédit Suisse in 2013 reported that 22 years after the collapse of the Soviet Union, the gulf between the broad mass of the population and the super-rich in Russia was greater than in any other major country in the world (Weiss, 2013). Thirty-five percent of the country’s total wealth was in the hands of just 0.00008 percent of the population, or 110 persons out of a total population of 143 million (Weiss, 2013). Worldwide, there was one billionaire for every USD 170 billion in household wealth; Russia had one for every USD 11 billion (Weiss, 2013). It was further claimed that the Russian president was one of the richest people in the world. His collection of watches alone had an estimated value of over $250,000. In addition, he possessed several palaces, yachts and aircraft. The report went on to say that this concentration of social wealth created by the working class in the hands of a few oligarchs, whose fortune was 'based on criminal activities and the destruction of the Soviet economy, was a damning indictment of the restoration of capitalism in Russia' (Weiss, 2013). According to the UN, Russian population will decline from the current level of 143.5 million to 121-133 million by 2025. Since 1991, it has already shrunk by almost 5 million people of which nearly 1 million died by committing suicide. The suicide rate among teenagers in Russia is among the highest in the world (Weiss, 2013).

If the minimum wage law was actually working then the level of poverty across the world should have fallen and the gap between the rich and the poor should have been significantly narrowed. However, today poverty level is escalating and the gap between the rich and the poor is not only wider than ever before, but it is getting even wider at a rapid rate. In the modern world, therefore, while the minimum wage law might have reduced exploitation of some workers, it has certainly failed to reduce poverty levels which were only escalating across the world.

The Real Causes of Poverty

While it is well known that poverty is rising across the world, the underlying issues causing the rise in poverty are more complex than most commentators, especially politicians, would like us to believe. Many families in the UK, for example, have become increasingly reliant on food banks because the cost of living has soared (Marshall, 2013). Also, compared to other European countries, housing costs in the UK are disproportionately higher and economists argue that this in particular, is fuelling the UK's food poverty crisis (Marshall, 2013). Soaring costs of energy is also a factor. The rise in numbers might also be happening because visiting food banks has now become a socially acceptable solution, whereas before it was a source of shame. Hence, the long term hidden hungry are just becoming visible (Marshall, 2013). For many, however, that people need help to feed themselves in the UK today, that once ruled almost half the world, will be an uncomfortable truth.

According to a Red Cross report released in October 2013, Europe was facing a catastrophic economic and social decline. It concluded that austerity measures taken during Europe's economic downturn have further contributed to snowballing poverty and unemployment (RT News, 2013). Five major trends characterizing the impact of the economic crisis across Europe have been identified as: 'the poor getting poorer; the "new poor" spiraling into poverty; weakening health; a toughening stance on increasing migration; and a steep rise in unemployment' (RT News, 2013). While highlighting the plight of the *new poor* resulting from austerity measures, the Red Cross also noted that 8.9 percent of people with jobs in the EU still lived below the poverty line (RT News, 2013). Red Cross also found that Grown-up children were moving back in with their parents in Greece and Spain, and generations were now living under a single roof with just one income-earner to pay for the household's upkeep (RT News, 2013).

Rise in poverty resulting from cutbacks in health, education and other vital social services around the world are also said to have resulted from structural adjustment policies prescribed by the International Monetary Fund (IMF) and the World Bank as conditions for loans and repayments. In addition, under free trade agreements, developing nations are required to open their economies to compete with each other and with more powerful and established industrialized nations. Also, 'to attract investment, poor countries enter a spiraling race to the bottom to see who can provide lower standards, reduced wages and cheaper resources' (Shah, 2013). From the perspective of developing nations it is argued that this phenomenon that we today call globalization not only increases poverty and inequality for most people in these nations but also maintains the historic unequal rules of trade (Shah, 2013). Logically then, with this flow of wealth from the developing nations to developed nations, the people of developed nations should be getting increasingly wealthy.

The paradox, however, here is that the people of developed nations

are equally aggrieved by this phenomenon. For example, Americans claim that trade agreements that pit Americans against exploited workers in non-democracies have weakened the bargaining power of unions, moved factories and industries out of their country, devastated entire regions of their country and gave the giant multinational corporations, Wall Street and the billionaires the leverage they needed…('40 Percent of Americans...', 2013). They further claim that the average American's living standard would be much, much higher today if wages had not decoupled from productivity gains – with the gains all going to the 1% instead of being shared by the working people of America ('40 Percent of Americans...', 2013). As a result of this they say 'the 6 Walmart heirs have more wealth than 1/3 of all Americans combined, and the 400 wealthiest Americans have more wealth than half of all Americans combined' ('40 Percent of Americans...', 2013). However, they again go on to say that the predicament their country was in now was because of the huge imbalance in their trade relationships with developing countries, arguing that they buy more from developing countries than the developing countries buy from them and this was the deficit that they should be worried about ('40 Percent of Americans...', 2013). But the developing countries also argue that globalization maintains the historic unequal rules of trade.

Apparently, while workers in developing and developed countries blame each other for their misery not realizing that they were both losers, the only winners were the giant multinational corporations and those who own them. It should therefore be no surprise to learn as reported by the *Guardian* that the 'top ten highest-paid CEOs in the United States each received $100 million in 2012, and two chief executives each received over $1 billion, and the combined pay of the top ten CEOs was $4.7 billion' (Damon, 2013).

Further, according to the Forbes 400 report, 'the 400 richest people in America increased their wealth by 17 percent in 2013, their collective wealth rising from $1.7 trillion to just over $2 trillion' (Damon, 2013). The wealth of these 400 individuals was said to be more than twice the amount necessary to cover the US federal budget deficit in 2013, which was being used as the justification for slashing food stamps, education, housing assistance, and health care programs (Damon, 2013). So, could this widening gap in the distribution of wealth be one of the main causes of rising poverty in the US as well as many other countries across the world, irrespective of whether they are developing countries or developed countries?

Leaders from rich countries are often heard telling poor countries that aid and loans will only be given when they show they are stamping out corruption. However, it has been observed that 'while that definitely needs to happen, the rich countries themselves are often active in the largest forms of corruption in those poor countries, and many economic policies they prescribe have exacerbated the problem' (Shah, 2013). It is also noted that corruption is equally prevalent in rich countries as well.

Yet another cause of rising poverty is said to be tax avoidance. 'Through tax havens, transfer pricing and many other policies — both legal and illegal — billions of dollars of tax are avoided … resulting in massive losses of tax revenues for cash-strapped governments who then burden ordinary citizens further with austerity measures during economic crisis' (Shah, 2013). If tax avoidance could be tackled, many unnecessary austerity measures that hit the poorest so hard could also be avoided. But despite the rhetoric advocating this, it does not seem too high on the agenda of many governments (Shah, 2013).

Recession, rising fuel costs and austerity cuts to social welfare benefits are all seen as the causes of rising poverty in the Western world. However, it is said that 'rather than trying to alleviate the problem, most continue to perpetuate the cycle even further' (Smith, 2012). According to the European Anti-Poverty Network (EAPN) the austerity packages introduced by European governments desperate to reduce their deficits are responsible for rising levels of poverty and social exclusion (Smith, 2012). It is further claimed that the biggest cause of rising poverty remained the cuts in welfare spending which were biting in all major European economies resulting in further widening of the gap between the rich and the poor (Smith, 2012). According to OECD, the average income of the richest 10 percent in the EU in 2012 was nine times that of the poorest 10 percent (Smith, 2012).

The changing social values and transformation of social institutions are also said to be contributing to rising poverty. It is found that 'only 7 percent of those living in households headed by a married individual were poor, whereas households with an unmarried head and children present -- 83 percent of which were headed by women -- had poverty rates of 40.3 percent' (Gorman, 2013). Among black Americans and Hispanics, high welfare benefits and the structural transformation of the urban economy have also been found to be closely related to increased unemployment rates, increased female-headed families and increased poverty (Eggers, 1990).

Another cause of rising poverty is financial scandal. When Robert Maxwell's Mirror Group media empire collapsed after Maxwell's death in 1991 it was discovered that Maxwell had plundered £440m from the

company's pension funds belonging to 30,000 employees. But luckily, vast majority of this money was either refunded by Mirror Group or paid out by the government (Faulkner, 2009). Another 140,000 workers found that their pensions were not 100% safe as promised by the government when their employers and pension schemes collapsed between 1997 and 2005 (Faulkner, 2009).

More than two million people lost a total of £10bn after being encouraged by government and business to leave their guaranteed pensions for the risks of the stock market. For many this was a bad move that resulted in the largest pensions mis-selling scandal to date, not to mention falsely-raised expectations and unnecessarily broken dreams (Faulkner, 2009).After the near-collapse of Equitable Life in 2000 that left about a million policy holders out of pocket, the UK government had paid out a total of £734 million in compensation by 2013 and was still looking for 400,000 policy holders to pay compensation to them (Groves, 2013). Others had died waiting for successive governments to restore their lost money (Groves, 2013).

Pension fund scandals continue unabated albeit in different forms. For example, the rates offered by the members of the Association of British Insurers published in 2013 showed for the first time how some of the UK's biggest insurers were "short-changing pensioners by offering annuity rates up to 30 per cent below the best deals on the market" (Sheldrick, 2013). Again in the UK, as millions of workers are being automatically enrolled into a workplace pension scheme, it has emerged that many employers can arrange for huge fees to be deducted from their employees' pension funds to pay for 'consultants' (who are not even qualified) for advice on setting up their pension scheme without consent from the workers (Altman, 2013). As pensions regulators are allowing this to continue many people's pensions could be decimated leaving them in poverty in retirement.

Similar pension fund scandals have been occurring across the US as well. For example, corruption scandal at New York State's public pension fund has now tainted multimillion-dollar investment deals in at least two other states – California and New Mexico (Coutts, 2009). This is the shadowy system, including the role of investment middlemen called 'placement agents' who work for a fee to manage a slice of the assets held by big pension funds where the agents' fees paid out of the members' funds can run into millions of dollars and are usually not disclosed (Coutts, 2009).

In the US, 43 of the 50 states have legalized gambling to fund cash-strapped public schools. According to Baylor University's Professor Earl

Grinols, 'as the rate of gambling rises, society becomes poorer as dollars are transferred from one (disproportionately poor) pocket to another, with no goods or service to show for it' and 'if everyone gambled to acquire their money, we would all starve' (Lawford, 2012). It is further found that casinos promote addiction, prostitution and record suicide rates. On the other hand, 'gaming companies, contractors, lobbyists and politicians are the clearest-cut winners, along with the few, individual jackpot winners' (Pastor, 2013).

The disproportionate tax burden on the poor could yet be another cause of rising poverty. Contrary to popular rhetoric that half of Americans do not pay income taxes, at the state level the poor are paying more than twice as much of their income toward taxes than the super-rich (Kingkade, 2011). According to the Institute of Taxation & Economic Policy, those in the bottom 20 percent pay closer to 12 or 13 percent of their income in state and local taxes on average while the top 1 percent of income earners only pay 7 to 8 percent. Also, while the lowest 20 percent often pay 7 percent of their income in sales and excise taxes each year, the top 1 percent pay less than 1 percent of their income toward sales taxes (Kingkade, 2011). These are some of the real causes of rising poverty in developed nations such as the US and the UK.

The situation is said to be far worse in developing countries especially in areas such as sub-Saharan Africa and Southeast Asia. It is also said that both the nature of poverty and causes of poverty are different in developing countries. In Africa, the major causes include civil wars, dictatorships, famine, corruption, rampant nepotism and mismanagement as well as imposition of unfair and damaging policies by the IMF and the World Bank (Downes, 2012). It is further said that instead of achieving economic growth, highly corrupt political regimes made the rich richer and poor poorer in society (Downes, 2012).

The major causes of poverty in Southeast Asian economies include uneven distribution of wealth, wars, poor governance and natural disasters (Szczepanski, 2008). 'In Burma the ruling junta spends 40% of its budget on the armed forces, despite the fact that more than 90% of the population lives in abject poverty' (Szczepanski, 2008). Cambodia is 'still struggling to recover from the rule of the murderous Khmer Rouge in the 1970s and 80s, which left as many as 3 million Cambodians dead (including nearly all of the educated people)' (Szczepanski, 2008). When it comes to natural disasters, few areas of the world are said to have as many threats as Southeast Asia. 'Positioned along both the seismically active Pacific Ring of Fire, and the deadly Pacific Typhoon Alley, Southeast Asia gets more than its fair share of earthquakes, volcanic eruptions, typhoons, tsunamis, landslides, and floods' (Szczepanski, 2008).

In most cases, the causes and effects of poverty in both developing and developed countries interact, so that what makes people poor also creates conditions that keep them poor. In addition to the above, there can be so many other real causes of rising poverty in the world today that the list would virtually be endless.

Reducing Poverty with Minimum Wage Law

Before one can say whether poverty can be reduced or not reduced with minimum wage law or by raising the minimum wage, it is important to know who works for minimum wage. And it is important to know whether they are really poor and whether they comprise a percentage of population significant enough for the minimum wage or a raise in minimum wage to have a noticeable impact on poverty in a nation as a whole.

When President Obama called for an increase in minimum wage from $7.25 to $9 an hour in 2013, the Democrats argued that the President didn't go far enough, proposing an increase to more than $10 an hour (Payne, 2013). A counter argument put forward is that the President and all other proponents of raising the minimum wage kept going back to five key myths about minimum-wage workers.

The first myth is that most Americans work for the minimum wage. The fact, however, is that very few Americans are actually working for the federal minimum wage—it's just 2.9 percent of all workers in the United States. In other words, 97 percent of American workers earn more than the minimum wage (Payne, 2013).

The second myth is that the 'working poor' are just getting by on minimum wage. The fact is that more than half of minimum-wage workers are school students working part-time, who are members of families earning incomes well above the minimum wage (Payne, 2013). The third myth is that minimum-wage workers are trapped in poverty. The fact is that few workers with minimum-wage jobs, both young and old, are the primary earners in their families (Payne, 2013). So, it is not the minimum wage workers who are trapped in poverty.

The fourth myth as the politicians would make us believe is that minimum-wage workers are a permanent class of people. The truth, however, is that minimum-wage earners don't stay in those jobs forever and majority of these earn a raise within a year. This is because as they gain experience and employment skills, they become more productive and can command higher wages (Payne, 2013). The fifth myth is that most single parents are working full-time in minimum-wage jobs. The fact is that very few single parents are working full-time in minimum-wage jobs. Most single parents working fulltime earn higher than the minimum wage (Payne, 2013).

So, who will be the winners and who will be the losers from an increase in the minimum wage? Obviously, this change will affect only less than three percent of all workers in the US, a good proportion of whom are students working part-time. If the students come from well-off families, they get richer. If they come from poor families, they get a little better off. However, if the employers decide to lay-off some of these workers then some would get a raise and some would have no income at all. Also, it might get harder for young people to enter the employment market and gain work experience necessary to move up to better paid jobs. In addition, if employers believe an increase in minimum wage is imminent they often replace expensive labour with new technology which further contributes to rising unemployment and hence to rise in levels of poverty (Dorn, 2013). So, while an increase in minimum wage would help some, it would certainly hurt others.

Except for those who earn just above the minimum wage and their wages would get higher as a result of increase in the minimum wage, there will be no benefit to the vast majority of the 97% of the workers. If they are poor, it is not because the minimum wage is too low. Majority are already earning well above the minimum wage. They could be poor due to one or more of numerous causes of rising poverty such as those outlined in the last section of this paper. They could be poor because of their own deeds or because they have been betrayed by the very people in whom they placed their trust. Pension fund managers have robbed millions of dollars of thousands of people’s lifetime savings and by relaxing industrial relations laws as well as deregulating the markets, many governments actively assist businesses to fleece the workers even further.

In addition, many public policies implemented by governments lead to greater hardships of average citizens and contribute directly to rising poverty in the country. The US government’s decision in 2013 for example, to slash food assistance benefits under Supplemental Nutrition Assistance Program (SNAP), (popularly known as 'food stamps') of $11 billion over three years for over 45 million Americans would amount on average to a month’s worth of food assistance. Clearly, this would result in 'yet more privation for millions of working people, including the poorest and most vulnerable members of society—children, elderly people, the unemployed, the disabled and new mothers' (Damon and Grey, 2013). In addition, the federal program that provided extended unemployment benefits for the long-term jobless was slated to expire on 1 January 2014, thereby throwing millions more into poverty and outright destitution (Damon and Grey, 2013).

The corporate-controlled media and Democrats as well as Republicans remained silent because there was 'a bipartisan agreement to impose the cuts' (Damon and Grey, 2013). This kind of channelling of social wealth into the coffers of the super-rich is said to have 'produced the highest levels of social inequality in nearly a century' (Damon and Grey, 2013). It is remarkable that the same government was so concerned about the welfare of the poor that it wanted to reduce poverty in the country by raising the minimum wage.

The story in Australia is no different. In June 2013, the New South Wales state government introduced 'bed tax', 'which forces couples in public housing with an "unoccupied" bedroom to pay an extra $30 per week in rent, and singles an additional $20 per week, if they refuse two offers from NSW Housing to relocate to smaller properties' (Zabala, 2013). In September 2013, the NSW government announced that tenants who do not qualify for government welfare benefits would have to pay full 'market rents' (Zabala, 2013). To determine *market rents* 'valuers no longer have to consider whether the properties are used for public or private housing—they are instructed to arrive at the market value based on locality and type of housing. Many homes will therefore be valued at a higher rate, which will push up the rents of tenants by anything from $40 to $100 per week, depending on the location and size of the property' (Zabala, 2013).

According to the government, the rationale for the changes was to accommodate the needs of the 55,000 households on the public housing waiting list. This has been described as 'a bald-faced lie' (Zabala, 2013). The government’s real agenda, however, is said to be not to assist those on the waiting list, but to force people out of public housing and into the private rental market as part 'of a process driven by the demands of the construction and finance industry to dispense with what they consider to be a drain on profits' (Zabala, 2013).

It is again remarkable that this market-driven regime for public housing was first introduced nationally from 1983 to 1996 by the Labour Government headed by Prime Minister Bob Hawke (Zabala, 2013) who pledged in 1987 that by 1990 no Australian child would be living in poverty. Similar attacks on public housing in Britain and Canada are said to have resulted in unaffordable rent increases and evictions, contributing to sharp increases in homelessness (Zabala, 2013). These serve to show that poverty levels were rising in many countries not because of inadequate minimum wage but because of a direct result of government policies.

Demise of the Minimum Wage Law

Real world evidence shows that minimum wage law was no longer sustainable in many countries. In 2013 in the UK for example, over 5.2 million people were earning less than the 'living wage' (also called voluntary wage that employers paid without legal requirement) of £8.55 in London and £7.45 elsewhere, where the minimum wage was £6.31 for 21 and over. Also, nearly three quarters of 18-to-21-year-olds earned less than this voluntary wage level (Hyland, 2013). In addition as part of the government's austerity measures, tens of thousands had already lost their jobs, pension contributions had been raised, entitlements cut and pay frozen. Many public sector workers were 'forced to agree on new contracts, on lower wage rates, or face the sack' (Hyland, 2013).

Furthermore, as part of a major extension of the 'workfare' scheme those receiving Job Seekers Allowance were now required to undertake unpaid work-based 'training' or lose their allowance. This was challenged in the court on the ground that 'the workfare scheme violated Article 4 of the European Convention on Human Rights, which prohibits forced labour and slavery' (Hyland, 2013). The court, however, rejected this claim and asserted that the government was entitled to impose sanctions on those refusing to participate in 'job training' (Hyland, 2013). As a result, unemployed people now had to work 30 hours per week for six months for as little as £56 a week Job Seekers Allowance, although there was no prospect of employment at the end of their training (Hyland, 2013).

It is remarkable that it was the government itself that was doing all these only a month after increasing the national minimum wage for all groups effective from 1 October 2013. For adults the minimum wage increased by 12p an hour to £6.31. The rate for 18-20 year olds increased by 5p to £5.03 an hour, 16-17 year olds increased by 4p to £3.72 an hour and for apprentice by 3p to £2.68 an hour (BBC News, 2013). These contradictory actions clearly demonstrate not only the hypocrisy of the government but also that the minimum wage law had become unsustainable in the UK.

Faced with escalating unemployment and chronic government debt owed to international lenders, following the global financial crash of 2008, several countries were considering suspending or even abolishing the minimum wage law. Unemployment rate in Greece, for example, rose

to 27.9 per cent in June 2013 compared with 24.6 per cent a year earlier. Women and young people were particularly affected (Kathimerini, 2013). In September 2012 the Troika—the European Commission, International Monetary Fund and European Central Bank—demanded that Greece not only implement the government spending cuts of twelve billion euros ($15.42 billion) quickly but also tighten up labour laws (Dreier, 2012).

The Troika further demanded a six-day work week, increases in the numbers of hours worked per day, new cuts to wages, and the abolition of labour regulations in Greece (Dreier, 2012). In return for a 130 billion euro rescue package in February 2012, Greek ministers agreed to impose a 22-percent cut on the standard minimum monthly wage of 751 euros (Georgiopoulos, 2012). For those under 25, the cut would be even more brutal, a 32-percent reduction. Consequently, by November 2013, average wages had fallen by 40 percent since 2008 (Dreier, 2013). Similarly, the Central Bank of Spain urged the government to contemplate 'exceptional mechanisms so that the minimum salary won't act as a barrier' to hiring some groups of workers (Román and Brat, 2013).

The debt crisis in Italy was not much different. It had an 'enormous mountain of debt, €1.9 trillion or 120 percent of Italian GDP' (Schwarz, 2011). Responding to the austerity measures demanded by the troika the Italian Parliament stated it was willing to adopt the austerity package that included job cuts in the public sector, the deregulation of the labour market, and social cuts, as was taking place in Greece (Schwarz, 2011).

Portugal's budget for 2012 designed by the troika of Portugal's international lenders and passed at the end of November eliminated bonuses equivalent to two months' salary for public sector workers and for pensioners making more than €1,000 (US$1,340) a month. It allowed private sector companies to extend the working day by 30 minutes without any additional pay. Taxes were to be increased, including the sales tax (VAT) on gas and electricity from 6 percent to 23 percent (Mitchell, 2011). In June 2013, while imposing austerity budgets until 2020 Irish government officials made it clear that their purpose was to intensify the spending cuts under the bailout agreed with the troika - European Union, European Central Bank and the International Monetary Fund (Shilton, 2013) .

Another European nation, Cyprus, was so deeply indebted to international lenders that it had no other alternative but to accept the terms attached to the European Union (EU) finance ministers' bailout plan for Cypriot banks, if the country was to avert a full financial collapse (Shilton and Marsden, 2013). The plan was to see around 10 billion euros ($13 billion) made available to the island's banks, and close to a further €6 billion raised through a tax on banking deposits. Accounts with a balance of less than €100,000 were to be taxed at 6.75 per cent, while those with more than that amount faced a 9.9 per cent charge (Shilton and Marsden, 2013) which would make many Cypriots poorer than what they were expecting to be. All these again show that poverty levels were rising in many countries not because of inadequate minimum wage but because of a direct result of government policies.

Obviously, the European countries were now leading the rest of the developed nations in the race to the bottom where most of the third world countries have always been and where minimum wage has made virtually no difference. For example, at least since the 1990s a general minimum wage law has been in place in about a third of the countries on the African continent and some two-thirds have minimum wages in certain sectors. Yet 40 percent of Africa's working population earns barely enough to survive (Kriesch, 2013).

For a double room in the Ndame Guest House on Zanzibar’s east coast tourists pay 80 euros (USD109) a night in the high season whereas many of the hotel's staff earn 65 euros for a month's work; that is the official minimum wage in Zanzibar (Kriesch, 2013). Some restaurant workers earn only 25 euros a month and employers say if the minimum wage were strictly imposed, many people would be out of a job (Kriesch, 2013). Hence, although there was a minimum wage law in most of the African countries, it was generally not enforceable and remained meaningless. Nevertheless, according to International Labour Organization, the existence of minimum wage 'gives Africa a good position in international rankings' (Kriesch, 2013).

Similarly, the minimum wage law was almost a joke in Indonesia. President Susilo Bambang Yudhoyono’s administration granted 44 percent increase in minimum wages in 2012 and then granted exceptions to hundreds of businesses to allow them to evade it (Roberts, 2013). In 2014 it approved another increase of 11% taking the minimum monthly wage to 2.44 million rupiah ($US211 per month or $US7 a day), which only fuelled widespread anger followed by two days of strikes by hundreds of thousands of workers across the country on October 31 and November 1 (Roberts, 2013). The workers demanded a 50% increase, which the Manpower and Transmigration Minister said 'would bankrupt some weaker firms' (Roberts, 2013). Because of outsourcing and contract system many workers were also employed on wages below the official minimum rates. In addition, the fact that about 40 percent of the country’s 240 million people depended on the 'informal sector' and eked out an existence on just $2 a day or less demonstrated that the economy was so weak that a minimum wage could not be imposed (Roberts, 2013). This was the bottom of economic misery that many developed nations were now also fast approaching.

Apparently, one developed nation, the UK, was already within the league of developing nations. Not only the national minimum wage set at £6.31 an hour for adults in the UK was becoming embedded as a standard rate, i.e. the minimum rate was becoming the maximum rate, and 'many employers did not pay the minimum wage', but several employers were 'not paying any wages at all' (Mason, 2013). Rising levels of unemployment was forcing increasing numbers of young people to take up 'unpaid work on a promise of a job at a future point' (Mason, 2013).To combat escalating poverty, a living wage of £7.65 an hour for those living outside London and £8.80 for those within the capital came into effect from 4 November 2013. However, as this was to be adopted on a voluntary basis and at the rate employers were joining it, it was estimated that with around 4.5 million employers in the country, it would take 450 years for all employers to adopt the scheme (Mason, 2013).

The fact that the Labour Party leader Ed Miliband took up the issue and pledged to give firms introducing a living wage a tax rebate of up to £1,000 if elected to office in 2015, demonstrated that the living wage was 'being adopted as an electoral ploy' (Mason, 2013). A labour list website call on Labour to turn the 'minimum wage into a "living wage" by 2020, contradicted by draconian austerity measures of Conservative-Liberal Democrat government, including the imposition of pay freezes and pay cuts as well as Labour’s intention to continue to do the same if it came into power (Mason, 2013), removed any doubt that the real political agenda was exactly the opposite of what the rhetoric wanted people to believe.

Conclusion

Minimum wage law was first introduced in various countries across the world starting in the 1890s as a public policy with the noble intention of creating a minimum standard of living and protecting the health and well-being of employees among the poorest sections of the population. However, although this law not only continues to persist but has also increasingly formed a basis for adoption of similar laws in many more countries, it seems to have lost any such meaning today. Only about three percent of all workers in developed nations like US and UK, mostly students working part-time earn the minimum wage whereas majority in developing nations don’t get even close to earning the minimum wage, not only because employers don't want to pay higher wages but also because most employers can't afford to pay higher wages. While any increase in the minimum wage would certainly help some, others might lose their jobs and it might make it harder for those looking for their first jobs. So, while an increase in minimum wage would help some, it would certainly hurt others.

As revealed by the real causes of rising poverty, low minimum wage is not a cause of poverty. Majority of those who are poor earn well above the minimum wage and yet they are poor. Rising levels of poverty in different countries could be due to numerous causes. People could be poor because of loss of jobs, loss of homes, reduction in social welfare, reduction in healthcare, weak economies both in developed and developing nations, people's own deeds like drinking, drugs and gambling or because they have been betrayed by the very people in whom they placed their trust like billions of dollars of superannuation scandals as well as their own governments.

Many public policies currently implemented by governments across the world lead to greater hardships of average citizens and contribute directly to rising poverty in these countries. As a result of increasing unemployment and underemployment due to deepening recession accompanied with severe austerity measures imposed by governments in developed countries like the US, UK and many European countries, there have now emerged the new phenomena of the 'new poor' and the 'working poor'. Major reforms including drastic cutbacks in social welfare, healthcare, unemployment benefits and public housing were making millions of people homeless and destitute, and resorting to charity for food and clothing was becoming a socially acceptable solution, something that until recently was a source of shame.

As seen in Greece, Spain, Italy, Portugal and Ireland, as well as several other European countries, due to escalating unemployment and chronic debt crisis accompanied with immense pressure from international lenders it has become impossible for the minimum wage law to be sustained in these countries. Poverty is not confined only to those who were always poor or those who were on the minimum wage, but as a result of rising unemployment as in the US and UK, also emerged the 'new poor' as well as the 'working poor'. Consequently, governments of many countries were now considering abolishing the minimum wage law. Developing countries have always had poverty; introduction of the minimum wage law never made any real difference, except to give them a good position in international rankings.

Compelling evidence relating to the real causes of rising poverty across the world provided in this paper proves beyond doubt that raising the minimum wage can never reduce poverty in any nation. The belief that increasing the minimum wage is socially beneficial is therefore a delusion at best. It can therefore be concluded that any declaration made to raise the minimum wage as a means of reducing poverty is not only a rhetoric but also an illusion behind which the exact opposite agenda is pursued. In the prevailing economic ideology this agenda is largely for governments to abdicate their social responsibility and enforce the austerity dictates of the financial markets that boost the profits of business interests of those who stand to gain from such a public policy.

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