These social democrats are very strange you know [1]

Written by **Tim Worstall** [2] | Saturday 6 October 2012

A very puzzling call contained in the latest little pamphlet from Compass. You know the sort of thing, the call to arms about what we must do to make this a more caring, sharing and wondrous society. And yes, I read these things so you don't have to. They insist that there should be a European minimum wage [3]:

> Europe should therefore move towards a continent wide minimum wage, based on the respective average income.

There's an awful lot of weight that rests upon that word "respective". There are two possibilities. One is that there should indeed be a European minimum wage. One single rate that applies to all jobs in the EU. Which would be either irrelevant or entirely crazed. If it's based on some sort of average of European wages then just about every job in the poorer countries would disappear overnight. Insisting on, say, 50% of German wages in Romania when that's some multiple of average wages in Romania would indeed be crazed. Insisting that Germany meet the Romanian minimum wage would simply be irrelevant.

The other meaning possible is that they think that there should be a minimum wage in each country, based on the relevant wages for that country. The problem with this is the following [4]:

> Germany, Cyprus and the Former Yugoslav Republic of Macedonia have statutory minimum wages that do not apply to all or the large majority of employees but are restricted to specific groups which are defined e.g. by sectors or by professions. These are excluded from the data collection. Also excluded are countries where there are no statutory national minimum wages: Denmark, Italy, Austria, Finland, Sweden, Iceland, Norway and Switzerland. In these countries, wages are either determined by negotiations between the social partners, at company level or at the level of each individual contract. Typically, sectoral level agreements are widely applied and have erga omnes applicability, thus constituting de facto minimum wages.

Insisting on a statutory minimum wage in Denmark, Sweden, Germany, Finland.....what effect does anyone think this will have in any manner at all?

Which leaves me really rather puzzled. I'm not sure which box to put Neal Lawson and his band of merry social democrats in. It could be that they're simply ignorant, in that they don't know that there are already minimum wages in most EU countries. It could be that they're stupid in that they don't realise that having them where they do not already exist isn't going to make a damn bit of difference as the same end is achieved in other ways. Or it could be that they really are crazed loons and that they want to impose a minimum wage based on some average of European wages. Which would immediately close down large parts of the economies of the poorer countries.

Which leaves me even more puzzled. Given that these are the only three boxes that they can be put in as a result of this call then why is it that anyone pays any attention to them at all?

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