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Apparently I'm a hyper-neoliberal [1]

Written by **Tim Worstall** [2] | Monday 6 January 2014

It rather surprised me, last week, that I was described by an American magazine editor as a "hyper-neoliberal". I'm really not quite sure what that means but I assume it's because I agree with points like this [3]:

> PLAN A The government subsidizes the incomes of low-wage workers. These subsidies are financed by increasing taxes on middle- and upper-income Americans.
>
> PLAN B The government again subsidizes the incomes of low-wage workers. But under this plan, the subsidies are financed by taxing those companies that hire low-wage workers.

This is Greg Mankiw discussing the difference between raising the incomes of the working poor through some form of public payment (ie, tax credits, the EITC, whatever) and a rise in the minimum wage.

> To be sure, the minimum wage isn?t exactly a system of taxes and subsidies. But its effects are much the same as those of Plan B. Unskilled workers earn more, and the businesses that hire them pay more. The main difference between the minimum wage and Plan B is that, under a minimum wage, the extra compensation is paid directly from the business to the worker, rather than indirectly via the government.

And for me this is the clinching point:

> First, fairness: If we decide as a nation that we want to augment the income of low-wage workers, it seems only right that we all share that responsibility. Plan A does that. By contrast, Plan B concentrates the cost of the wage subsidy on a small subset of businesses and their customers. There is no good reason this group has a special obligation to help those in need.

I've said this a number of times before and it still remains true. There is indeed the market price of whatever it is, in this case low skilled labour. And it's entirely possible that we, as a society, communally, decide that we don't like that price. Say we think that the price of cigarettes is "too low" (leave aside how we determine too low or too high here). We tax them and that tax benefits us all in that all of us share in the public goods financed by that tax.

We might also decide that the price of low skilled labour is too low. We desire it to be higher. Precisely because it is all of us making that decision (again, leave aside concerns about majoritarian tyranny here) therefore it should and must be all of us dipping into our pockets to pay for it. We should no more insist that investors in the sort of business that employs low wage workers pays that extra wage that we desire than

we should insist that smokers, or tobacco companies, get that extra tax raised as we fix that too low price of ciggies.

They're societal interventions thus it must be society that pays or collects on them.

Whether we should have a wages top up, or taxes on ciggies, is entirely another argument. This logic, assuming that we're going to have them, still stands. Societal decisions need to be paid for by society, not by some subset who can be stuck with the costs of our desires.

In this analysis I am joined, as above, by Greg Manikiw, ex-head of the Council of Economic Advisors, economic advisor to Mitt Romney (about as wet a Republican candidate as we've seen in many a decade) and also by the UK's only thinking Marxist, Chris Dillow.

And for thinking this way I am called a "hyper-neoliberal" by an American magazine editor. I still don't quite know what that phrase means but I think it's more a commentary on the political inclinations of the US journalistic caste than it is about me or the real world.

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