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Government Keeps People Poor

by Sheldon Richman

Washington reruns are boring. A Democrat beholden to Big Labor proposes an increase in the mandated minimum wage. Republicans beholden to Big (and small) Business defeat the bill. End of episode. Each side has thus reestablished its bona fides with its respective constituency and thus can return to what it really cares about — spending the people’s money on war against this, that, or the other.

Both sides will claim to care about the poor, but “caring” means they can be counted on to utter the “right” words on cue. That’s Washington for you — nothing more.

As the great movie *Wag the Dog* illustrated, politics is show biz and pageantry. What counts is perceptions. Results — or the lack thereof — don’t matter because in short order the public will be distracted by something else anyway.

We can be certain of this because if the politicians really wanted to help poor people, they long ago would have done what it is in their direct power to do — namely, eliminate all the ways that government blocks people from climbing out of poverty. (We should remember that “poverty” is a relative term. Most poor people in America are well off when judged by historical and even contemporary world standards.)

How does government keep people poor? A brief article cannot count all the ways, but we can cover the highlights. First, low-income people pay various taxes, even if the personal income tax isn’t one of them. They labor under the payroll tax to support bankrupt Social Security and Medicare. They pay sales taxes, property taxes (through their rent), and gasoline taxes. Many taxes are built into the prices of products. The government’s fiscal burden is heavy, and it’s a burden that low-income people are less able to cope with than wealthier people.

Second, the government does many things that make the cost of living higher than it would otherwise be. Tariffs and quotas on imports raise the price of necessities: shoes, clothing, food, and more. Does it make sense to bemoan the fate of the poor while artificially holding prices high as a favor to wealthy producers?

Third, government occupational licensing is a devastating one-two punch against low-income people: Licensing makes the number of practitioners of many occupations artificially low, raising the price of needed services. Obviously that harms low-income people more than others. Moreover, licensing raises the cost, and often makes it impossible, for low-income people to enter certain occupations. Someone who is talented at cutting and styling hair may have to pay thousands of dollars to achieve the paper qualifications necessary to become eligible for a license. That barrier can be prohibitive for many low-income people. In the early 20th century a poor person in New York could become a taxi driver by obtaining a cheap used car. Today that is impossible. Taxi licenses, the number of which is limited by government, cost a fortune.

Fourth, government has steadily eroded the value of the dollar through control of the monetary system. Because of inflation, money buys less today than it would if the monetary system had it not been in the hands of the state. What required a dime to buy in 1947 requires a dollar today. Who is hurt most by inflation? Poorer people.

Fifth, the minimum-wage prices low-skilled workers out of the labor market. Some lose their jobs; others never get hired; still others are required to do more work to justify the increased pay. Organized labor knows that some workers are locked out, which is why it wants an increase — it cuts down on the competition.

Government is and has long been the enemy of low-income people. The next time you hear Republicans and Democrats shed tears for the downtrodden, remember that they refuse to give up the power that keeps those folks poor — and dependent on them.

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