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Remaking a Bargain: The Political Logic of the Minimum Wage in the United States

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This essay explores how political processes shaped the origins and development of the federal minimum wage in the United States, attempting to impose an order and logic on that process. It offers an analytically grounded narrative that abstracts from the historical details and interprets a broad sweep of outcomes between the New Deal and the present. Rather than identifying only the preferences of the ardent minimum wage supporters (and opponents), I identify those members of an enacting coalition (including the president) or veto players whose preferences had to be taken into account for a minimum wage bargain to be struck. For each episode, the analytical narrative identifies the coalition that made the minimum wage agreement—the members of Congress among whom a bargain was struck and codified into legislation, plus (usually) the president. The narrative also determines the nature of the compromise that enabled members of an enacting coalition to adopt an increase in the minimum wage. In each instance, policymakers were "heirs" before they were choosers: The heavy hand of later New Deal history shaped subsequent political choices.

KEY WORDS: federal minimum wage, poverty policy, American politics

Introduction

The federal minimum wage is a major part of the U.S. antipoverty policy landscape, but its political origins and development have received far less scholarly attention than a range of other more well-known twentieth-century social and labor policies. Congress adopted the original minimum wage as part of the 1938 Fair Labor Standards Act (FLSA) despite the initial opposition of the newly emergent conservative coalition, which blocked a range of later New Deal policy proposals. In every subsequent decade, policymakers with conflicting preferences, often representing competing interests, came together to form enacting coalitions with the president to increase the minimum wage and/or to expand its coverage. Liberal Democrats, despite incremental successes, never won approval automatically to index the minimum wage to changes in the cost of living. Thus, the minimum wage has often lost ground to inflation between increases, and it has always been subject to political uncertainty.

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The modern U.S. redistributive and regulatory state originated in the New Deal with two sources of federal power: the authority to tax and transfer income (i.e., the 1935 Social Security Act) and the ability to impose rules on private-sector employers (i.e., the 1935 National Labor Relations Act and the 1938 FLSA). In the latter category, the federal minimum wage is one of the more significant antipoverty policies in the U.S. social welfare regime. Yet despite significant attention to the politics of social policy (Finegold, 1988; Gottschalk, 2000; Hacker, 2002; Howard, 1997; Klein, 2003; Skocpol, 1995) and labor-management relations (Gordon, 1994; Nelson, 2001; Orren, 1986, 1992; Plotke, 1989), the minimum wage remains a relatively neglected topic in the scholarly literature about the politics of New Deal social and labor policy. The FLSA's minimum wage is an enduring legacy of the New Deal economic security program (Brinkley, 1995; Jeffries, 1996), and it laid the foundation for a range of other employer mandates.[1]

The nominal level of the minimum wage has periodically been increased. Between 1938 and 1994, none of the increases occurred when Republicans controlled at least one chamber of Congress. Republican presidents have also blocked (Ronald Reagan) or moderated (Richard Nixon, George H. W. Bush, George W. Bush) increases in the nominal wage. With Republicans in control of Congress and the White House between 2000 and 2006, there was no political support for a federal minimum wage increase without significant tax and regulatory relief for small businesses. After regaining control of Congress in 2006, the Democrats secured a minimum wage increase as part of a supplemental defense appropriations bill that provided emergency funds for the war in Iraq. The final agreement between Democrats and President George W. Bush—the 2007 Small Business and Work Opportunity Tax Act—combined a minimum wage increase to $7.25 per hour by 2009 and small-business tax relief.

This essay explores how political processes shaped the origins and development of the federal minimum wage from the New Deal to the present, attempting to impose an order and logic on that process (see Moe, 1987). It offers an analytically grounded narrative that abstracts from the historical details and interprets a broad sweep of outcomes between the New Deal and the present. The process of setting the minimum wage is interactive because it involves cooperation and often conflict between Congress, which enacts the minimum wage, and the president, who has veto power (and influences the minimum wage's implementation). The process is also dynamic because policy changes constantly as Congress acts or fails to act on the existing minimum wage. Dramatic shifts in the preferences of Congress and/or the president significantly affect the federal minimum wage over time. The politics of the minimum wage can be characterized by significant discontinuities: Long periods of inaction are interrupted occasionally by shorter periods of abrupt policy change.

Moderate southern Democrats and Republicans were a pivotal part of the coalition that adopted the original federal minimum wage and amended it from the 1940s throughout the 1980s. While a cross-party conservative coalition narrowed the scope (coverage) and/or lessened the amount of any increase, a significant bipartisan consensus emerged in support of a more limited minimum wage. This bipartisan consensus, absent from the National Labor Relations Act (NLRA) collective-bargaining provisions by the 1940s with the Republicans' 1947 Taft-Hartley Act, remained in place for the minimum wage. By the 1960s, southern Democrats, known for being extremely conservative, began to liberalize their voting records as moderates replaced conservatives, thereby allowing for a major expansion of coverage. By the 1980s, the emergence of a competitive Republican Party in the South altered the landscape and the politics of the minimum wage (Fleisher, 1993). Reagan remains the only president since the New Deal to not approve an increase in the federal minimum wage.

The FLSA's minimum wage provisions, often dismissed in contrast to the "bolder" 1935 labor rights regime (NLRA), have evolved to take on greater potential significance because only a modest proportion of the U.S. workforce has its wages set by collective bargaining. In 2010, the union membership rate—the percentage of wage and salary workers who are members of unions—was only 11.9 percent. In 1983, the first year for which comparable data are available, the rate was 20.1 percent (U.S. Department of Labor, 2011). Thus, in the final analysis, the federal minimum wage might prove to be one of the most enduring New Deal policies in support of worker economic security.

Implications for Contemporary Poverty Policy

The minimum wage is intended to redistribute earnings to low-paid workers. But raising the minimum wage comes with the risk of higher unemployment. Opponents have seen the minimum wage as a burden on employers and an unwarranted regulatory interference in the labor market. As early as 1946, Stigler argued that "economists should be outspoken and singularly agreed" that the minimum wage does not reduce poverty (Stigler, 1946, p. 358).

The employment effects of the minimum wage have generated considerable controversy. Opponents claim that the weight of the evidence supports the traditional view that higher minimum wages reduce employment by forcing marginal businesses to lay off workers. In contrast, proponents of the minimum wage have viewed it as an important tool of antipoverty policy. In sum, the minimum wage can advance redistributive goals by keeping real wages higher than would otherwise be the case and by buttressing the bottom tier of the income distribution (Freeman, 1994, 1996). Empirical research suggests that recent minimum wage increases have had little or no adverse effects on employment (Card & Krueger, 1995; Freeman, 1994, 1996). Moreover, some economists believe that the minimum wage offers substantial benefits, citing higher productivity, decreased turnover, lower recruiting and training costs, decreased absenteeism, and increased worker morale as gains that might offset some of the costs to employers from a wage increase (Fox, 2006).

Today, the impact of the federal minimum wage is not concentrated in one region. It largely affects teenagers and young adults; however, as the earnings distribution has widened in recent decades, an increasing number of adults have become its potential beneficiaries. Congress has increased the minimum wage numerous times over the past seven decades. Nonetheless, because the minimum wage has not been indexed to the cost of living, it has not kept pace with inflation, and its real value has declined between increases.

Currently, all covered nonexempt workers are entitled to a minimum wage of $7.25 per hour, with many states mandating higher amounts. In cases where employees are protected by both state and federal minimum wages, they are entitled to the higher rate. More than 130 million American workers are covered by the minimum wage, which is still enforced by the Wage and Hour Division of the Department of Labor (Bureau of Labor Statistics [BLS], 2011).

In 2010, 72.9 million American workers age 16 and over were paid at hourly rates—58.8 percent of all wage and salary workers. Among those paid by the hour, 1.8 million earned exactly the prevailing minimum wage, while about 2.5 million "exempt" workers had wages below the federal minimum. Together, these 4.3 million workers accounted for 6.0 percent of all hourly paid workers. The highest proportion of workers earning at or below the minimum wage was in service occupations, at about 14 percent, and 6 of every 10 workers earning the minimum wage or less were employed in service occupations, mostly in food preparation and related jobs. The industry with the highest proportion of workers with hourly wages at or below the minimum wage was leisure and hospitality (23 percent). Nearly half of all workers paid at or below the minimum wage were employed in this industry, primarily in restaurants and other food services (BLS, 2011).

For service workers, tips and commissions can supplement the hourly wage received. Many service-oriented employees regularly receive more than $30 per month in tips, and their employers may elect to use a minimum wage's tip credit provision and demonstrate that tipped employees receive at least the minimum wage when direct (or cash) wages and the tip credit amount are combined. For example, if an employee's tips combined with the employer's direct (or cash) wages of at least $2.13 per hour do not equal the minimum hourly wage of $7.25 per hour, the employer must make up the difference. Thus, the maximum tip credit that an employer can currently claim is $5.12 per hour. Employers can pay a youth minimum wage of $4.25 an hour to employees who are under 20 years of age for the first 90 days of employment. These provisions protect adult workers and prohibit employers from displacing employees to hire someone at the youth minimum wage (BLS, 2011).

Self-sufficiency and hard work lie at the heart of the idea of the American Dream. Full-time participation in the labor market is central to economic well-being, and most working-age adults support themselves primarily through their employment and earnings. Americans expect their fellow citizens to work hard to support themselves and their households. This emphasis on work as the route to economic self-sufficiency has driven many of the welfare reforms in recent decades and has contributed to ongoing public support for the federal minimum wage. Yet full-time, full-year work at the federal minimum wage still is not enough to keep some workers and their children out of poverty or to move others into the ranks of moderate-income families.

Review of an Interdisciplinary Literature

Many historians or historically oriented social scientists either ignore the federal minimum wage completely because it does not fit neatly into prevailing historical schematics of the New Deal (Jeffries, 1996) or characterize the minimum wage as a missed opportunity in the development of the American social welfare regime (Hart, 1994; Katznelson, 1989; Mettler, 1998; O'Brien, 1998; Storrs, 2000). Storrs, for example, argues that fair labor standards have "fallen through the cracks" of American political, labor, and welfare state history and that "government regulation of labor standards forms a more important component of the American welfare state than the relatively thin existing scholarship reflects" (Storrs, 2000, p. 5). O'Brien claims that labor standards constitute another chapter in the story of missed opportunities of the American welfare state (O'Brien, 1994, 2001). Robertson concludes that regulation of U.S. labor markets remained an "exceptional patchwork of limited protections, uneven laws, and poor enforcement while other advanced industrialized countries established a floor of universal work standards" (Robertson, 2000, p. 11).

Many historically minded political scientists who study the American welfare state highlight the coalitions that did not come together or hold within political parties and in Congress (Weir, Orloff, & Skocpol, 1988). In sum, southern Democrats shared certain policy preferences with Republicans. The standard assumption is that the bipartisan conservative coalition's political goal was to maintain the status quo in the face of liberal policy innovation (Brady & Bullock, 1980; Herzberg, 1986). Indeed, southern Democrats' preferences shaped New Deal policy in important ways (Boris, 1994; Hart, 1994; Kamolnick, 1993; Malamud, 1998, p. 2212, 2003, p. 2019; McCammon, 1995; Mettler, 1998; Steinberg, 1982; Wikander, Kessler-Harris, & Lewis, 1995, pp. 26–49). For example, responding to agricultural groups, southern Democrats and midwestern Republicans kept farming and domestic service occupations out of the 1935 Social Security Act (social insurance and public assistance programs). But it is important to focus more analytical attention on the types of coalitions that *did come* together to support a federal minimum wage (and other policies) in the later New Deal and throughout much of the twentieth century. Policymakers have achieved a range of policy reforms since 1935 despite the nation's systematic favoring of the status quo and fragmented political institutions (Zelizer, 1998). While an anti–New Deal conservative coalition alliance is claimed to have limited "liberalism" (Farhang & Katznelson, 2005), moderate southern Democrats and Republicans were key to an enacting coalition that supported increases in the federal minimum wage.

Several political scientists highlight the 75th U.S. Congress (1937–9) as the origin of the conservative coalition: Analyses of origins and levels of activity show that the coalition formed on the labor issue, where southern Democrats and Republicans shared preferences. The Democratic House leadership faced the difficult challenge of putting together shifting coalitions to adopt policy. Despite the heterogeneity of the Democrats' electoral base within Congress, the party's leaders in the House forged an enacting coalition by logrolling legislation that sought to alleviate the Depression (Finegold & Skocpol, 1995). Early New Deal agricultural policies were supported by (and helped reinforce) an underlying coalition between commercially well-established, export-oriented southern cotton producers (Democrats) and better-off midwestern corn and wheat farmers (Republicans; Hansen, 1991). In addition, rural southern Democrats supported the National Industrial Recovery Act (NIRA) in exchange for northern Democrats' support for the 1933 Agricultural Adjustment Act and Rural Electrification Act (Finegold & Skocpol, 1995).

Economic historians have highlighted the sectional and regional interests that characterized early-twentieth-century U.S. political economy. Many of the historical narratives of the New Deal minimum wage debate highlight North–South regional differences: Producers in the North, a higher-wage region, wanted a floor under wage competition, while those in the South were eager to exploit their competitive low labor cost advantage (Douglas & Hackman, 1938; Nordlund, 1988; Paulsen, 1996; Schulman, 1991; Wright, 1986). A well-known explanation for the split in the Democratic Party relies on a protectionist thesis: the desire of constituents in high-wage regions to protect their labor rents and/or capital rents from low-wage competition in other regions (Alston & Ferrie, 1985; Zieger, 1997). Southern Democrats had to weigh their interests in a successful Democratic Party coalition against the threat to the integrity of that insular labor market. As Wright argues, "All the distinguishing differences between the South and the rest of the United States have their roots in the separateness of the southern labor market" (Wright, 1986, p. 8).

Congress initially set a uniform federal minimum wage at 25 cents per hour in 1938 (Grossman, 1978). At the time, most of the lowest-wage workers worked in southern industries—sawmills, textile manufacturing, and tobacco production. Textiles and lumber were the two largest manufacturing employers, while agriculture, the largest employer in the South, was specifically exempted from the original minimum wage provisions. Southern Democrats and midwestern Republicans, responding to organized agricultural and other business groups, kept agricultural and domestic service occupations out of federal labor standards protection (Linder, 1987; Mettler, 1998; Palmer, 1995).

However, southern Democrats as a group did not always have identical preferences. For example, Katznelson, Geiger, and Kryder (1993) demonstrate the emergence of three distinctive alliances within Congress rather than one single conservative coalition: a bipartisan civil rights coalition of nonsouthern Democrats and Republicans; a party-based liberal coalition between nonsouthern and southern Democrats on welfare state, fiscal, regulatory, and planning issues; and a cross-party conservative alliance coupling southern Democrats and Republicans in the area of labor policy. In most of the contests that involved the three factional alignments, southern Democrats were indeed the prevailing faction: Their preferences were pivotal to the political outcome (Katznelson et al., 1993).[2]

With regard to congressional voting on the 1937–8 minimum wage, Farhang and Katznelson (2005) report that the intersectional (northern-southern Democrats') likeness scores (calculated by subtracting from 100 the difference between the percentage of positive votes cast by each bloc, where scores of 70 and above signify high likeness) remained high at 80 in the Senate but declined to 64 in the House on passage and 71 to accept the conference report, reflecting the defection of a significant minority of conservative Democrats yet also leaving sufficient southern Democrats in the majority to adopt the minimum wage. Farhang and Katznelson argue that on labor issues, southern Democrats had by the 1940s moved "decisively away from the pattern that had prevailed in the 1930s and that, less heartily, was still subscribed to in 1938" (Farhang & Katznelson, 2005, p. 7).

Several political scientists offer rational-choice accounts and assume that the federal minimum wage was endogenously determined within Congress (Fleck, 2004; Seltzer, 2004). According to Seltzer, the South was less unionized and had a higher proportion of employment in agriculture, lower wages, and more blacks than the North, and all of these factors increased the probability that southerners would vote against a minimum wage. However, after controlling for these characteristics, southern legislators were no more likely to oppose the act than were northerners. Although southern representatives were more likely to vote against the minimum wage, they did so primarily because of economic differences between the two regions, not political factors (Seltzer, 1995). Fleck finds that although southern representatives did not as a whole oppose the minimum wage or abandon policy positions taken by the Democratic Party, the Democrats who opposed the minimum wage tended to belong to a group of conservative Democrats who became increasingly likely to vote with Republicans. The Democratic division on the minimum wage consequently has great historical importance because it illustrates the rise of what became a quite stable alignment in the post–New Deal years (Fleck, 2002).

Poole and Rosenthal offer an ideological theory of congressional action on the minimum wage, concluding that partisan effects overwhelm aggregate measures of constituency interest. With a systematic spatial analysis of all 71 House roll-call votes on the minimum wage between 1937 and 1985, the authors conclude that changes to the nominal value of the minimum wage depend on which party controls Congress and the White House. Poole and Rosenthal report that the minimum wage increased at an average annual rate of 7.1 percent after World War II, when Democrats controlled both congressional chambers. When Democrats controlled the White House as well, the minimum wage grew at an average rate of 9.3 percent. Under a government divided between a Republican president and a Democratic Congress, the minimum wage grew at an average rate of 4.6 percent. While Poole and Rosenthal conclude that congressional voting on the minimum wage shows a highly partisan, liberal-conservative split, considerable diversity exists within each party on congressional roll-call voting. For example, moderate Republicans have joined with northern Democrats, and southern Democrats have voted with more conservative Republicans (Poole & Rosenthal, 1991).

While clear redistributive (ideological) issues might fit within this spatial model, the underlying distributive logic of the federal minimum wage often allowed for vote trading and coalition building between groups of legislators. That is, northern Democrats, who often controlled the House Labor Committee, attempted to use the implicit gatekeeping power that came with that control to pursue their agenda by creating logrolls that could survive the House Rules Committee and would benefit both northern and southern Democrats. Alternatively, conservative coalitions secured amendments to impose their preferences on the federal minimum wage: Moderate southern Democrats and Republicans joined liberal Democrats on the final vote.

Analyses centered on congressional roll-call voting often suffer from several limitations. For example, according to Koford, when the relative intensity of legislators' preferences varies across policy issues, Poole and Rosenthal's approach will likely fail to be predictive (Koford, 1994). As a consequence of the multidimensionality of the minimum wage, different dimensions and provisions are traded off against one another (i.e., an expansion of coverage and the magnitude or timing of an increase). Poole and Rosenthal acknowledge that "a vote between two alternative minimum wage proposals may not readily fit into a preexisting spatial pattern" (Poole & Rosenthal, 1991, pp. 16–7). The roll-call-centered approach also misses internal congressional rules' significant impact on policy outcomes. Empirically, the rules and procedures under which Congress considered the minimum wage greatly affected whose preferences influenced the final outcome. These internal rules of the game matter in a very significant way for understanding the political logic of the minimum wage.

Toward a Political Theory of the Federal Minimum Wage

The federal minimum wage has an "institutionalist" logic.[3] The politics of a minimum wage unfolds over time: The future of any "new" institutionalism analysis lies in the study of the dynamics of institutions and policy over time rather than of a static equilibrium outcome at a particular point in history (Jillson & Wilson, 1994). The original 1937–8 agreement and the revised bargains of 1949, 1955, 1961, 1966, 1974, 1977, 1989, 1996, and 2007 demonstrate that the minimum wage was not a single legislative (policy) event but rather a repeated process unfolding over time.

The emphasis here is on the interplay of elected policymakers as they seek to realize their goals within the institutional arenas in which they act and which they help shape and the historical context in which these choices are set (Aldrich, 1994; Katznelson, 1998). Democrats and Republicans on both sides of this exchange are assumed to have preferences, goals, information and resources, and strategies. For simplicity, I assume that constituent and interest groups conveyed information about their demands to political actors (and to some extent to political parties).[4] As political actors translated these demands into decisions about the minimum wage, they negotiated the balance between constituent and organized interest group pressures according to their own political purposes and electoral goals within a particular historical context. In the end, the federal minimum wage regime was held together not by the naturally cooperative efforts of organized business, agriculture, and labor groups[5] but rather by the structure imposed by the incentives of electoral politics, the congressional rules of the game, and prior political choices.

Rather than identifying only the preferences of the ardent minimum wage supporters (and opponents), I attempt to identify those members of an enacting coalition (including the president) or veto players whose preferences had to be taken into account for a minimum wage bargain to be struck. For each episode, the analytical challenge is to identify the coalition that made the minimum wage agreement—the members of Congress among whom a bargain was struck and codified into legislation, plus (usually) the president. The second challenge is to determine the nature of the compromise that enabled members of an enacting coalition to adopt an increase in the minimum wage (McNollgast, 1992, 1994).

For most of the twentieth century, this antipoverty policy revolved around a potential compromise among three groups, none of which commanded a majority in Congress. Not all coalitional members were equally important in determining the content of the minimum wage. The major lines of agreement on the minimum wage resulted from political trade-offs among pivotal veto players—not just the swing voters but any member who occupied a veto gate in the legislative process. Political actors, both Democrats and Republicans, manipulated the rules of the game (i.e., House Rules Committee powers, Senate minority rights, and the presidential veto) to extract or to impose concessions in exchange for political support. Dramatic shifts in the preferences of Congress and/or the president (especially in the same direction) affected the coalition and the nature of the compromise across time. This bargain was exposed to incremental shifts because single actors who controlled veto gates in the political process became pivotal decision makers on the federal minimum wage.

The Minimum Wage and New Deal Economic Recovery Sequence, 1932–7

An enacting coalition in Congress (plus President Franklin D. Roosevelt) adopted the original minimum wage as part of the 1938 FLSA, exercising the constitutional authority to regulate unfair labor conditions in interstate commerce. FDR proposed the minimum wage in 1937 after Congress adopted two other New Deal economic recovery reforms. First, under the 1933 NIRA, Congress and FDR adopted national minimum wage and maximum hours rules, guaranteed collective-bargaining rights and industrial production codes, and poured vast amounts of tax dollars into public-works projects. However, the National Recovery Administration, which delegated legislative authority to the president, was ruled unconstitutional by the Supreme Court in 1935.[6]

In 1935, Congress and FDR adopted the NLRA to restore the NIRA's labor provisions. The NLRA reinforced the structure of union organization and collective bargaining by backing them with the coercive authority of the federal government. Congress delegated legislative authority to a National Labor Relations Board (NLRB), which would investigate employers suspected of engaging in unfair labor practices. Because the Senate had to confirm presidential appointees, the Senate Labor Committee's jurisdiction gave it formal control and influence over the NRLB (Moe, 1987). The Supreme Court upheld the constitutionality of the NLRB in 1937, ruling that prohibiting employers from engaging in unfair labor practices affecting commerce was a "valid exercise of congressional power to regulate any activity affecting interstate commerce."[7] Proponents saw a new political opportunity to regulate unfair labor conditions (a minimum wage floor) in any activity affecting interstate commerce.

Northern Democrats, however, faced a difficult political challenge in Congress. Although the Democrats had overwhelming majorities in both chambers, the odd marriage between the party's traditional southern rural base and its new northern urban base created a functional three-party system in American politics. Southern Democrats initially supported many of the president's New Deal labor-related initiatives, albeit with reservations and only after securing adequate protection for regional and economic interests. By 1937, however, a conservative alliance of southern Democrats and midwestern Republicans was resisting many proposed reforms.

As part of a third stage of the New Deal economic recovery sequence, FDR proposed the 1937 FLSA—with minimum wage, maximum hour, and child labor provisions—in an effort to reintroduce the NIRA's labor provisions and to offer protection to workers who were not organized to participate in collective bargaining.[8] FDR's preference was for Congress to exercise its authority to regulate unfair labor conditions of employers "in and affecting" interstate commerce (Samuel, 2000) and to delegate legislative authority to a Fair Labor Standards Board to determine those "industries, establishments, occupations, and employments" within the scope of interstate commerce (U.S. Congress, Senate, Committee on Education and Labor, 1937a). To preempt opposition from congressional allies of intrastate small business, FDR limited coverage to only those "businesses that were actually engaged in and substantially and materially affecting interstate commerce," thus exempting smaller intrastate retail and service employers (U.S. Congress, Senate, Committee on Education and Labor, 1937a). In addition, to minimize opposition from congressional allies of organized agricultural groups, FDR also exempted agricultural and domestic service workers (Linder, 1987, p. 1336; Mettler, 1994, p. 635).

FDR had incentives to propose a board, under his control and influence, that would set the minimum wage: The president would appoint five members (to staggered five-year terms without Senate approval) based on merit and efficiency rather than political considerations. If Congress retained control, FDR predicted that members "would face intense political pressure as organized groups would request the minimum wage be raised or lowered based on economic self-interest rather than on the basis of sound investigation of changes in economic conditions or the cost of living" (U.S. Congress, Senate, Committee on Education and Labor, 1937a). In contrast, board appointees would recommend "necessary cost-of-living adjustments due to the nature of rapid and unpredictable price changes in the economy" and reflect the president's preference that a minimum wage keep pace with changes in the cost of living (U.S. Congress, Senate, Committee on Education and Labor, 1937a).

Congress would set a federal minimum wage to be used as a guide by the board; anything below this floor would be considered an "oppressive" wage (U.S. Congress, Senate, Committee on Education and Labor, 1937a). Without any further approval from Congress, the board would apply the minimum wage "as rapidly as it could without throwing people out of work or disrupting industry" (U.S. Congress, Senate, Committee on Education and Labor, 1937a). Thus, the board would be empowered to make all-important cost-of-living adjustments in response to rapid and unpredictable changes in prices. By 1937, however, FDR's proposed board posed direct political challenges to the conservative coalition in Congress, which turned against much of the New Deal, including the NLRB (Brady, 1988; Brady & Bullock, 1980; Patterson, 1967; Shelley, 1983). By the 75th Congress, roll-call votes indicate the beginning of the Democrats' regional split, with southern Democrats forming a conservative coalition voting majority on specific issues with midwestern Republicans (Fleck, 2002; Sinclair, 1978).

A Bipartisan Coalition Crafts a New Bargain, 1937–8

The final policy outcome on the minimum wage illustrates how a later New Deal bargain shaped subsequent political development. Within Congress, an emergent conservative coalition majority preferred not to delegate any legislative authority to an additional New Deal board that could result in a future shift of policy away from Congress and toward presidential preferences.[9] Thus, the congressional rules of the game would significantly shape the logic of a minimum wage. The House Education and Labor Committee and Senate Labor Committee had jurisdiction over the minimum wage (as well as a range of other policies), and the committees' actions were closely related to partisan and ideological cleavages in American politics. In 1937–8, the labor committees were composed predominantly of preference outliers on labor (and union) issues and disproportionately supported federal labor standards.[10] After a House committee reported a bill, the Rules Committee generally would grant a rule governing its debate and amendment process; without a rule, a bill was blocked unless a majority of the House petitioned for it to be reported to the floor. A "closed" rule prohibited additional amendments on the floor, while an "open" rule allowed unlimited amendments on the floor before a final vote. Thus, the House Rules Committee had a great deal of authority to dictate the specific terms of a federal minimum wage increase.

The House Rules Committee initially had played an instrumental role in expediting FDR's early New Deal priorities, often reporting legislation under closed rules. However, between 1936 and 1940, the Rules Committee ceased to be an unquestioned ally of the House Democratic majority leadership as a consequence of the emergence of a mini-conservative coalition alliance of southern Democrats and Republicans. In the 75th Congress, the 14-member House Rules Committee represented a small minority of the House and tended to be more conservative than the chamber overall.[11] A conservative alliance of southern Democrats and Republicans had a nine-to-five Rules Committee majority and controlled this key veto gate in the congressional process. Earlier in the New Deal, a majority had always granted a rule governing the debate and amendment process, regardless of how its members voted on the final outcome. But by 1937, this mini-conservative coalition began to use and threaten to use this veto authority to extract concessions on committee-reported minimum wage provisions or to block them from being reported to the House.

Southern and northern Democrats had divergent preferences regarding two minimum wage provisions: whether to delegate legislative authority to another New Deal board similar to the NLRB, and whether to mandate regional wage differentials. Anticipating political opposition from a conservative coalition on the floor, prolabor Senate Democrats empowered the board to set a minimum wage only at or near 40 cents (rather than FDR's 80 cents per hour), required the president to consider all geographical and industrial regions when nominating appointees, and required the Senate to offer advice and consent on all appointments (U.S. Congress, Senate, Committee on Education and Labor, 1937b). The Senate expanded the agricultural exemption to include all occupations involved in the delivery to market and the preparation, packaging, and storage of agricultural goods (Douglas & Hackman, 1938; Paulsen, 1996). The regional differentials and exemptions of agriculture in the area of production satisfied the preferences of southern Democrats, who hesitated to support a federal minimum wage. With these substitutes and the defeat of an effort to recommit the minimum wage back to committee, a coalition of northern and southern Democrats adopted the federal minimum wage (Fleck, 2002).

Anticipating a veto from the House Rules Committee's conservative coalition, northern prolabor Democrats on the committee sought to accommodate the southern Democrats' preferences by amending FDR's proposal. Democrats limited the scope to industries engaged in the production of goods for interstate commerce and directly affecting interstate commerce; exempted local intrastate business; required that board members be appointed with the advice and consent of the Senate and that two of its five members be from the South; prohibited the board from setting a federal minimum wage above 40 cents; and directed it to consider differences in collective bargaining, costs of production, transportation, and local economic conditions (without a specific regional wage differential; U.S. Congress, House, Committee on Labor, 1937). Despite the compromise proposal, the Rules Committee refused to report a minimum wage to the House floor without a regional differential (Seltzer, 1995).

With the U.S. experiencing its most serious economic crisis since 1933 and the minimum wage proposal blocked by the Rules Committee, FDR initiated a special 1937 congressional session to push for adoption of federal labor standards. Northern Democrats in the House reported a substitute with a 40-cent minimum wage and a single administrator within the Department of Labor rather than a board (Paulsen, 1996, p. 109). House Democratic leaders worked to gain the votes for a discharge petition to report the minimum wage directly to the House floor.

This was a logrolling agreement in reverse, with one regional bloc of Democrats threatening to withhold its votes from legislation backed by another regional bloc unless political support was forthcoming.

In an appointed House subcommittee to resolve intraparty differences, southern Democrats offered a substitute (a 40-cent minimum wage with a regional differential); northern Democrats countered with a minimum wage (to be adjusted annually but without a geographic differential) that would be administered by the secretary of labor (Burns, 1966). The committee, with northern Democrats in control, defeated the southerners' substitute and then adopted their own proposal (Paulsen, 1996). The Rules Committee conservative coalition alliance again refused to report a minimum wage without regional differentials to the House.

But at this political deadlock in mid-1938, an exogenous shock—primary election wins of southern pro–New Deal Democrats as well as polls showing strong southern public support for a minimum wage—transformed the calculus for more moderate southern Democrats (Grossman, 1978). While one election alone might be too idiosyncratic as an explanation, the two primary elections illustrated strong public support throughout the South for a minimum wage. Indeed, when a June 1937 Gallup poll asked "if the federal government ought to set the lowest wage that employees should receive in each business and industry," 61 percent of Americans answered in the affirmative, including 56 percent of those in the South, only slightly lower than the 60 percent figure for New England and the Middle Atlantic region. Support for a minimum wage was even higher in an early 1938 poll: 69 percent of Americans supported a minimum wage, including 63 percent of southerners. Americans also expressed support for regional wage differences.[12]

With an electoral incentive to report a minimum wage, a large House majority, including most Republicans and almost half of southern Democrats, petitioned the minimum wage out of the Rules Committee with a discharge motion. Northern Democrats then joined with a majority of southern Democrats and a minority of Republicans to adopt a minimum wage (Grossman, 1978). Only the most conservative southern Democrats and Republicans remained opposed.

However, northern Democrats' gains proved short-lived. As part of the agreement, southern Democrats pushed to empower the administrator to set a lower minimum wage "in regions where prevailing wages were below the federal minimum wage" (U.S. Congress, Conference Committees, 1938). Although southern Democrats did not impose a regional wage differential per se, the final agreement set a minimum wage at 25 cents, far below the preferences of northern Democrats (40 cents or higher) and FDR (80 cents per hour). According to the agreement, the federal minimum wage was to be raised to at least 30 cents an hour by 1944 and to 40 cents an hour by 1945 "without substantially curtailing employment or earning power" (U.S. Congress, Conference Committees, 1938). While regional differentials were not included, the phased-in minimum wage provided additional flexibility. There was no requirement that it increase above

25 cents: The agreement specified only that industry committees could vary the minimum wage rate for specific industries (Douglas & Hackman, 1938, 1939).

By this later stage in the New Deal, the conservative coalition opposed any further expansion of the modern regulatory state, particularly a wage-setting board similar to the NLRB (U.S. Congress, 1937). Thus, Congress delegated only administrative and enforcement authority to a single administrator, appointed by the president and approved by the Senate, who would direct a Wage and Hour Division within the Department of Labor. The administrator would convene a committee for each industry "engaged in interstate commerce or in the production of goods for commerce" and determine minimum wages for those industries that could pay rates above the 25-cent minimum during the seven-year phase-in to 40 cents (Paulsen, 1996). The committees were expected to base administrative orders on factors such as transportation, living, and production costs; wages established for comparable work by collective bargaining arrangements; and wages paid for comparable work by employers who voluntarily maintained minimum wage standards (U.S. Congress, Conference Committees, 1938, p. 4).

Because redistributive and regulatory decisions such as a minimum wage are difficult and politically costly to make, Congress often acts in ways that either distribute benefits broadly or shield particular groups from the costs. Thus, Congress empowered individual policymakers to legislate exemptions for industries in their states and districts (Douglas & Hackman, 1938, 1939). In this case, Congress limited the scope to specific interstate industries (manufacturing, mining, quarrying, and forestry) while providing exemptions for employees in executive, administrative, professional, or local retailing capacities; for all retail and service firms doing less than 50 percent of their business in interstate commerce; and for farm workers within the area of production of agricultural and horticultural commodities as defined by the administrator (U.S. Congress, House, Committee on Education and Labor, 1949).

Although FDR and northern Democrats achieved their goal of a federal minimum wage, moderate southern Democrats' and Republicans' preference to retain control aligned with the northerners' electoral incentives. It allowed policymakers to claim credit for a minimum wage (due to strong public support across all regions) as well as to avoid blame (from organized agricultural and business groups that opposed higher labor costs) by limiting the scope and minimizing the magnitude (or extending the timing) of any minimum wage increase.

With these exemptions, the original minimum wage offered protection to 11 million workers (20 percent of all U.S. wage earners). At 25 cents, the minimum wage initially would directly affect 300,000 workers who were earning less than that amount, a number that was predicted to rise to 550,000 when the minimum wage was raised to 30 cents per hour and to 1.4 million when it was raised to 40 cents (Daugherty, 1939). Although agriculture, retail trade, and domestic service employees were not considered part of interstate commerce (or were specifically excluded), these occupations had the largest proportion of the low-wage workers in the United States. This bargain set the stage for repeated political conflict about expanding the scope and amount of the minimum wage across the twentieth century.

Despite this partial victory for FDR and northern Democrats, the nominal minimum wage would not be revised annually (or regularly) to keep pace with the cost of living. By the end of the seven-year phase-in from 25 to 40 cents per hour, inflation meant that the effective minimum wage had dropped (Stigler, 1946). Liberal Democrats who strongly supported the minimum wage would continue to expand its coverage and to increase the rate and index it to the cost of living. Rather than working for outright repeal, political opponents would use a strategy of inaction to allow the minimum wage's purchasing power to erode.

By refusing to delegate legislative authority to a wage-setting board, Congress transformed the political logic from an NLRB politics of appointments (in which the Senate and the president battle over whom to appoint to the board) into a repeated interaction between Congress and the president over the scope, magnitude, and timing of a minimum wage (Moe, 1985, 1987; Snyder & Weingast, 2000). As a result, the congressional rules of the game shaped a predictable politics. Political agreement had to be reached among the House and Senate labor committees; the majority party leadership, the often independent House Rules Committee, and majorities in each chamber; and a conference committee plus the president. Control was not held by the liberal northern Democratic members of the House and Senate labor committees but by pivotal actors (southern Democrats) who could use or threaten to use procedural rules to obstruct passage or, more likely, to mandate the precise details of the minimum wage.

Congress's decision to retain statutory authority empowered later elected policymakers to exert direct control and influence over the minimum wage. Political actors since the mid-1940s have repeatedly confronted choices about expanding the scope and raising the amount of the minimum wage (or allowing it to devalue compared to inflation) within the context of national economic conditions and electoral politics. Each adjustment of the minimum wage would require the creation of a new enacting coalition. For better or for worse, electoral politics rather than national economic conditions would remain front and center.

An Enduring New Deal Minimum Wage Bargain, 1938–60

Each year between 1945 and 1949, President Harry S. Truman requested that Congress expand the scope of the minimum wage to include all employees "engaged in any production activity affecting interstate commerce" as well as workers in agricultural processing industries[13] and that Congress raise the minimum wage above 40 cents (Anon, 1945; U.S. Congress, Senate, Committee on Education and Labor, 1946). In the 1946 midterm elections, Republicans won control of Congress for the first time since 1931. In addition, a conservative alliance in the Senate sought to protect agricultural groups by using (or threatening to use) procedural maneuvers such as nongermane amendments and filibusters to maintain the exemption for industries closely related to agriculture or agricultural production (Campbell, 1962; Finegold, 1988).

Republicans were concerned that the wage and hour administrator had expanded the minimum wage to cover additional workers through administrative discretion in ways that Congress had not intended in 1938 (U.S. Congress, Senate, Committee on Labor and Public Welfare, 1948, pp. 532–42). Republicans attempted to limit coverage in several ways, such as limiting it only to employees "necessary to the production of goods for interstate commerce" and expanding the retail and service employer exemption (U.S. Congress, Senate, Committee on Labor and Public Welfare, 1948). The Republican 80th Congress adopted the 1947 Portal-to-Portal Act, which curtailed suits against employers for violating minimum wage regulations.

Northern Democrats viewed this measure as a Republican political attempt to dismantle the federal minimum wage. Liberal Democrats feared that in the absence of liability, employers would act at will and punish unorganized workers whose real wages were already in decline. But with Truman taking no formal position and with strong public support for the liability limits,[14] Congress adopted the new restrictions. Truman, facing a veto override, used his approval message for Portal-to-Portal to request that Congress expand the minimum wage to exempted workers and increase it to 65 cents per hour (Hartmann, 1971).

In 1949, after Democrats regained control of Congress, Truman and the northern Democrats attempted to expand the minimum wage to cover all employees "in an enterprise in which the employer is engaged in commerce or in the production of goods for commerce" (U.S. Congress, House, Committee on Education and Labor, 1949). Although Democrats had an eight-to-four majority on the House Rules Committee, southern Democrats voted with the four Republicans to prevent the minimum wage from coming to a floor vote, thereby opposing the chamber's Democratic leadership (Anon, 1949; Herzberg, 1986). Southern Democrats proposed a temporary increase to 65 cents until 1950, with the minimum wage subsequently linked to changes in the cost of living but not falling below 50 cents. The House adopted a small minimum wage increase but rejected the idea of indexing it to the cost of living and narrowed the scope, as the conservative coalition demanded, reducing it to cover even fewer workers than had been covered in the original 1938 legislation. Thus, northern Democrats exchanged an increase in the minimum wage for a reduction in the number of workers covered.

Congress struck a final agreement to limit the administrator's discretion to define employees engaged in interstate commerce and to authorize exemptions for service employees in the laundry, cleaning, and clothing-repair businesses (U.S. Congress, Conference Committees, 1949). Under the bargain, Congress eliminated 500,000 workers from coverage in exchange for an increase to 75 cents an hour. As a result, congressional supporters could claim a partial victory (no expansion of scope and a small increase), and the original 1938 bargain endured.

In 1955, President Dwight D. Eisenhower, a moderate Republican, proposed an expansion of the scope of the minimum wage to certain multistate enterprises and a minimum wage increase to 90 cents. Republicans, who had retaken control of Congress in 1952, had allowed inflation to repeal the real value of the minimum wage, but Democrats regained modest majorities by 1955 (U.S. Congress, Senate, Committee on Labor and Public Welfare, 1955; U.S. Congress, Senate, Committee on Labor and Public Welfare, Subcommittee on Labor, 1955). Without the political conflict that had marked previous battles, Congress agreed to a minimum wage increase to one dollar per hour but dropped any expansion of scope to intrastate activities (Anon, 1945–64). Again, although a conservative coalition resisted liberal Democrats' attempts to expand the scope, the 1938 policy bargain remained intact and even gained the support of a Republican White House.

Although Democrats held a majority in the House in 8 of the 12 sessions between 1938 and 1960, their status did not translate into significant control and influence over the minimum wage. During that period, the preferences of the self-selected "liberal" House Education and Labor Committee members (as well as their Senate counterparts) were modified on the floor to meet the preferences of a conservative coalition alliance. As in the 1938 bargain, liberal Democrats were joined by a group of moderate southern Democrats and Republicans only on the final House votes, after more far-reaching proposals had been replaced with substitutes that reduced or maintained scope. The 1938 bargain—designed by a conservative coalition alliance to maintain control and influence over the minimum wage—endured well beyond the late New Deal.

Expanding the New Deal Bargain, 1961–8

With John F. Kennedy elected president in 1960 and Democrats winning large majorities in Congress, liberals were motivated to expand the minimum wage's scope and rate. Moreover, Democratic House leaders expanded the Rules Committee from 12 to 15 members "to add more moderate southern Democrats" who would support the president's agenda and break the existing deadlock between members of the conservative coalition and other Democrats ("House Rules Committee," 1961, p. 109). A House majority, including a minority of southern Democrats and moderate Republicans, gave Democrats a narrow victory on the change to the rules ("House Rules Committee," 1961, p. 109). This step was significant, enabling House majority leaders to restore control over the Rules Committee. In 1965, the House approved additional changes to weaken the Rules Committee's independence.

Kennedy's 1961 preference was to expand the scope "to enterprises engaged in commerce or in the production of goods for commerce" (U.S. Congress, House, Committee on Education and Labor, 1961; U.S. Congress, Senate, Committee on Labor and Public Welfare, Subcommittee on Labor, 1961) as well as to increase the wage in two steps to $1.25 for workers within the existing scope and to establish a three-step increase to $1.25 for newly covered workers (U.S. Congress, Senate, Committee on Labor and Public Welfare. Subcommittee on Labor, 1961). House Democrats again reported an expansion of scope (U.S. Congress, House, Committee on Education and Labor, 1961, p. 6) and an increase to $1.25 (U.S. Congress, House, Committee on Education and Labor, 1961, p. 6). After the Rules

Committee reported the measure under an open rule, the conservative coalition again reduced the increase in the scope and the rate.[15] To preempt the substitute and to win political support from moderate southern Democrats and Republicans, Kennedy put forth a compromise that would cover an additional 3.8 million workers and limit the rate increase.[16] A conservative House coalition defeated the Kennedy proposal and substituted a less generous provision (Anon, 1961). Liberal Democrats, joined by a majority of southern Democrats and Republicans, accepted the modified proposal.

When a liberal Democrat replaced a southern party member as chair of the House Education and Labor Committee, House leaders gained more direct political influence over the final (conference committee) agreement (U.S. House of Representatives, 1961). Again, a single actor who controlled a veto gate became a pivotal decision maker. The House accepted the more liberal Senate provisions on the expansion of the minimum wage after moderates replaced some southern Democrats (Anon, 1945–64, 1961, p. 481). Moderate southern Democrats and Republicans joined with all northern Democrats in support of the minimum wage.

This action represented the first expansion in the scope of the minimum wage since the New Deal. The rules now covered all employees of any enterprise that passed an annual-volume-of-sales test even if an individual employee was not engaged in commerce or in the production of goods for commerce (Anon, 1961, p. 471). Thus, the 1961 changes increased the minimum wage for 23.9 million workers and extended coverage to approximately 3.6 million new low-wage workers.[17]

In the 1964 elections, Democrats gained their largest majorities in Congress since the New Deal. President Lyndon B. Johnson then proposed an expansion of coverage and a two-step minimum wage increase as part of the Great Society program (Anon, 1965, 1966). LBJ proposed including all enterprises engaged in interstate commerce or in the production of goods for commerce with gross annual volume of sales of at least $250,000 (an additional 4.6 million workers), a standard already adopted for separate establishments within an enterprise in 1961 (Anon, 1965). Liberal House Democrats again proposed expanding the scope of the minimum wage to cover 7.2 million new workers, although the exemptions for small retail and service establishments were retained. Congressional liberals also recommended a two-step annual increase and coverage for federal employees (U.S. Congress, House, Committee on Education and Labor, 1966). The Rules Committee, weakened by changes in 1961 and 1963, voted to report the minimum wage provisions under an open rule (Anon, 1966). A conservative coalition in the House adopted a substitute that retained the current minimum wage for an additional two years but expanded the universe of those covered (Anon, 1966, p. 826). The House adopted the 1966 changes, with liberal Democrats again joined by moderate southern Democrats and Republicans on the final vote (Anon, 1966, p. 825).

A conservative alliance in the Senate narrowed the expansion of scope to retail and service firms with annual volume of sales of less than $350,000 (instead of $250,000), dropping 185,000 workers from coverage (Anon, 1966). Congress agreed to reduce the annual-volume-of-sales test for retail and service firms (from $1 million to $250,000 over three years) and to include farm employees (Anon, 1966, p. 821), federal employees, and all employees working on federal contracts (U.S. Congress, Conference Committees, 2004). Congress also agreed that newly covered workers would receive a minimum wage by 1967 and a two-step increase by 1971 (Anon, 1966, p. 821).

The 1961 and 1966 expansions marked the biggest victories for liberal Democrats on the federal minimum wage since the New Deal. First, JFK and his Democratic allies expanded coverage beyond employees individually connected to interstate commerce to all employees of any enterprise engaged in commerce or production for commerce.[17] Second, LBJ and his congressional allies expanded coverage to employees in hospitals, primary and secondary schools, and higher education institutions and modified the definition of *employer* to remove the exemption of the states and localities with respect to public employees.

Reforming the New Deal Bargain, 1971–80

The politics remained predictable through the 1970s, although for the first time a U.S. president—Republican Richard Nixon—vetoed a minimum wage increase. Nixon initially expressed support for the basic purpose to increase the minimum wage but had reservations regarding the size and timing of an increase (U.S. Congress, House, Committee on Education and Labor, 1971). Democrats retained control of Congress throughout the 1970s, but an uncohesive congressional majority party militated against any major changes to the federal minimum wage (Sinclair, 1982, pp. 150–1).

As part of his 1973 "New Federalism" initiative, Nixon opposed any expansion of coverage to federal, state, and local governments on the grounds that it would weaken our system of federalism (U.S. Congress, House, Committee on Education and Labor, 1971). In addition, Nixon proposed establishing a subminimum wage for workers under age 18 in an effort to deal with high youth unemployment rates (U.S. Congress, House, Committee on Education and Labor, General Subcommittee on Labor, 1971, 1973). Despite the president's veto threat, Congress expanded the minimum wage's scope to include federal, state, and local government employees and domestic workers; phased in coverage of large retail and service activities (bringing an additional 6.7 million workers under the law's scope); and increased the minimum wage for most workers. The annual-volume-of-sales test would decrease in 1975 and then would be eliminated in 1976 (U.S. Congress, Conference Committees, 1973a). Nixon vetoed these changes, and the House Democratic leadership failed to produce the two-thirds majority needed to override the veto as conservative southern Democrats voted with a majority of Republicans to sustain the Nixon veto.

In 1974, Congress agreed to expand the scope to employees of federal, state, and local governments (U.S. Congress, Conference Committees, 1974; U.S. Congress, House, Committee on Education and Labor, 1974) and to accept a Senate three-step phase-out of the annual-volume-of-sales establishment test (U.S.

Congress, Conference Committees, 1974). Congress also agreed to the more conservative House minimum wage phase-in provisions for nonfarm workers within the scope before 1966 and added to the scope in 1966 and 1974 as well as an increase from $1.30 to $2.30 within four years for farm workers (U.S. Congress, Conference Committees, 1974, p. 27). As a consequence of increases in the cost of living, sufficient votes in the House to override a veto, and most important, Republican electoral vulnerability as a consequence of the Watergate scandal, Nixon joined an enacting coalition in support of minimum wage changes in 1974 (Reichley, 1981). Thus, Nixon repealed the exemption previously afforded states and localities, and coverage was extended to new groups of workers.

Democrats Fail to Index the Minimum Wage, 1976–80

In 1976, Democrats regained control of the White House and retained large majorities in Congress (Biven, 1994; Sinclair, 1982, p. 152). President Jimmy Carter, a centrist Democrat, proposed increasing the minimum wage to $2.50 and automatically indexing it to 50 percent of straight-time hourly manufacturing earnings of production and nonsupervisory workers (Iwanicki, 1977). Prior amendments had brought the minimum wage to about half of the average manufacturing wage, but inflation subsequently eroded the value of the wage. Over the 1938–74 period, the minimum wage averaged roughly 43 percent of the manufacturing wage (U.S. Congress, House, Committee on Education and Labor, 1977). Congressional opponents of automatic indexation concluded that one of the greatest tools in controlling inflation and unemployment is Congress's ability to adjust the minimum wage (U.S. Congress, House, Committee on Education and Labor, 1977).

After four decades of ad hoc political agreements, Carter and House Democrats pushed automatic indexation as the only means of credibly committing to changes in the cost of living. On the House floor, however, a conservative coalition defeated automatic indexation; expanded the small business exemption, removing 3.8 million workers from coverage; but failed to adopt a subminimum wage (Anon, 1977). For a conservative House majority, the electoral benefits that discretion afforded were significantly higher than the political costs associated with surrendering to automatic indexation.

In 1977, Congress approved a four-step increase to $3.35 (U.S. Congress, Conference Committees, 1977). For the first time since the Roosevelt era, all workers would receive that wage regardless of when they had come under the minimum wage umbrella. Congress also agreed to a three-step increase in the volume-of-sales-test exemption for retail and service establishments (to $362,500 by 1981), thereby exempting 800,000 workers (U.S. Congress, Conference Committees, 1977). As with the original 1938 bargain, Congress preferred to adjust the minimum wage by statutory action rather than commit to automatic increases based on changes in the cost of living. For Congress and individual electoral incentives, discretion regarding the federal minimum wage remained the ally, while commitment (indexation) was the enemy.

The Beginning of the End of a New Deal Bargain, 1981–90

After winning the presidency in 1980, Reagan claimed that the minimum wage "has caused more misery and unemployment than anything since the Great Depression" (1980 Ronald Reagan/Jimmy Carter Presidential Debate). As part of the 1983 Employment Act, Reagan introduced a youth employment opportunity wage for employees under the age of 22 ($2.50, or 25 percent below the minimum wage; Anon, 1983). Between 1981 and 1987, Reagan and a Republican Senate allowed inflation to erode the purchasing power of the federal minimum wage, which remained at $3.35 per hour.

In 1987, Democrats won back the Senate and retained a majority in the House. In an election-year conversion, Vice President George H. W. Bush, the 1988 Republican presidential nominee, indicated that he would support a modest increase in the minimum wage in exchange for a new youth training wage. Republicans held on to control of the White House in the 1988 election, while Democrats retained majorities in the incoming Congress. President Bush preferred a three-step increase in the minimum wage to $4.25; a subminimum training wage (enabling employers to pay new employees $3.35 for the first six months of employment); and expansion of the small business (annual-volume-of-sales) exemption to $500,000 (for all small businesses, not just retail and service employers; U.S. Congress, House, Committee on Labor and Human Resources, 1989, p. 19). For the first time since the New Deal, Democrats agreed to expand the small-business exemption, reflecting the growing political strength of the organized small-business lobby.

In spite of a Bush veto threat, the House, with support from moderate southern Democrats and Republicans, approved a bipartisan proposal that included an increase to $4.55 and a two-month training wage (equal to 85 percent of the minimum wage for first-time workers). Congress agreed to increase the minimum wage in three steps to $4.55; to expand the enterprise threshold test to $500,000 in annual volume of sales (though hospitals and schools would remain covered; Morehouse, 1989); to mandate a training wage (of 85 percent of the minimum wage during up to 30 days of on-the-job training for employees who had not worked for more than 60 days; Morehouse, 1989, p. 1213); and to extend coverage to House and Senate employees.[18] However, Bush vetoed the 1989 Minimum Wage Restoration Act, stating that he would not accept an increase above $4.25 and would not approve any changes without a subminimum training wage (Anon, 1989, p. 920).

Democrats in Congress preferred not to force a second presidential veto and lacked the votes to override it or overcome a Senate filibuster. Bush was reluctant to veto a modified minimum wage ("Minimum-Wage Bill Cleared," 1989, p. 3304). Thus, a Republican president and Democratic Congress agreed to increase the minimum wage in two steps to $4.25 and to mandate a one-time, three-month subminimum training wage (at 85 percent of the applicable minimum wage) for employees from 16 to 19 years old (Pytte, 1989). The final bargain retained an exemption for certain small businesses with annual volumes of sales under $500,000. Bush, however, demanded elimination of the Democrats' proposed Minimum Wage Review Board, which Republicans perceived as an attempt at backdoor indexing. Congress negotiated the first increase since 1977, with a Republican White House accepting a minimum wage increase in exchange for a teenage subminimum training wage.

Republicans Secure a New Distributive Bargain, 1993–2006

With Bill Clinton's 1992 election, Democrats gained control of the House, Senate, and White House for the first time since 1980. In 1993–4, the Democrats had an opportunity to shift the status quo; however, Clinton did not introduce and Democrats in Congress did not report any changes to the minimum wage. After Republicans won control of Congress in the 1994 midterm elections, Clinton proposed an increase to $5.15 over two years. The $4.25 minimum wage had not been increased since 1991, and its value was nearing a 40-year low in inflation-adjusted dollars. The Republican majority contended that an increase would hurt precisely the people it was intended to help by destroying hundreds of thousands of low-wage jobs. Without agenda control of the key labor committees with jurisdiction, House Democrats were blocked in their efforts to hold hearings or to report any increases in the minimum wage.

However, the minority party had greater rights in the Senate than in the House: Limiting debate and amendments in the Senate normally requires unanimous consent, for which the majority leader must negotiate with members of both parties, a source of leverage for the minority party (see Smith, 1989). Thus, Senate Democrats seized an opportunity to increase the federal minimum wage in early 1996. The Senate majority leader and front-runner for the Republican presidential nomination, Robert Dole of Kansas, had to pull an immigration bill from the Senate floor after Democrats maneuvered to amend it with a minimum wage increase to $5.15. Republicans lacked the 60 votes needed to invoke cloture because eight Republicans—all but one of them from the more unionized Northeast—planned to vote with Democrats (Shear, 1996; Weisman, 1996). Democrats subsequently tried to attach a 90-cent increase in the minimum wage to nearly every bill on the floor and filibustered those bills when their amendments failed. The Senate Republican leadership offered to allow a vote on a minimum wage increase as part of a broader labor reform package, including many proposals opposed by the minority, but Democrats would agree only to a straight up or down vote on the minimum wage (Anon, 1996a, 1996c).

In the House, the Republican Speaker and majority leader declared that there would be no votes to increase the minimum wage in 1996. Democrats tried to force Republicans to allow a vote on the minimum wage during action on the omnibus 1996 spending bill, but Republicans blocked the effort (Anon, 1996d). The leadership's resistance ended when about two dozen moderate House Republicans proclaimed support for the Democrats' minimum wage increase. The emerging intraparty conflict pitted the southern Republican majority leadership against moderate members from northeastern and midwestern union states who feared that an antilabor vote (against an increase in the minimum wage) would hurt their reelection chances. There was greater political support for the minimum wage from high-union-density states and less from right-to-work states, and moderate Republicans from high-density states tended to be more supportive than Republicans overall, while southern Democrats from right-to-work states were less supportive than Democrats overall (Levin-Waldman, 2001). Just as liberal Democrats faced a more conservative southern wing in their majority throughout much of the post–New Deal period, a new conservative Republican majority faced a more moderate wing of their party in 1996.

With a formal vote becoming likely and necessary during an election year, Republicans sought to minimize the impact on small businesses and the service sector by packaging $7 billion in small-business tax relief with an increase in the minimum wage to $5.15 (Anon, 1996c, p. 2-35). A rule to bring the package to the floor barely survived House passage after the Rules Committee included language allowing additional exemptions. In the House, 77 Republicans joined with Democrats to approve a minimum wage increase in two steps to $5.15 by July 1997, and 25 Democrats joined with Republicans to approve a subminimum training wage (of $4.25 for newly hired workers under the age of 20 for the first three months of employment). Moderate Republicans and Democrats banded together to reject an amendment to exempt small businesses with annual gross volumes of sales of less than $500,000. Ninety-three Republicans joined the Democrats to adopt a minimum wage/tax relief agreement (Anon, 1996b, p. H64). The House majority leadership and southern conservative Republicans voted in opposition.

Senate leaders agreed to bring the House-adopted package to the floor while providing large and small businesses with tax relief of about $11 billion over eight years (Anon, 1996a, pp. 7–8). The Senate passed a tax package and then adopted the small-business tax relief/minimum wage increase package. The winning margins were provided by moderate northeastern Republicans, who tended to be more responsive to the demands of organized labor, and from liberal northwestern Republicans, who traditionally supported increases in the minimum wage (Anon, 1996a, 1996b, 1996c).

The differences between the House and Senate packages concerned the tax provisions: In the end, Congress agreed to $16.2 billion in total tax relief over 10 years.[19] While the tax relief package was originally designed to target small businesses, the final agreement was loaded with tax relief for some of the largest U.S. companies. Congress approved a two-step increase in October 1996 and September 1997 (Anon, 1996a, pp. 7–8, 1996c, pp. 2-37–38). While the majority party usually controls the agenda and minorities seldom influence outcomes, this new distributive bipartisan bargain represented an agreement between conservative and moderate factions within the Republican Party. The conservative southern House leadership enabled a coalition of moderate Republicans and Democrats to adopt a minimum wage increase but only when linked with business tax relief. Thus, after almost 50 years, the Republican-led 1996 Small Business Protection Act replaced the New Deal's 1938 FLSA.

While Democrats made several attempts to increase the minimum wage after 1996, Republicans offered counterproposals of regulatory and tax relief for small business (Anon, 2005). Between 2001 and 2006, President George W. Bush, backed by Republican leaders in Congress, refused to act on a minimum wage increase. In April 2004, Senate Democrats intent on raising the minimum wage for the first time since 1997 stalled action on a variety of Republican-priority bills in an effort to force the issue to a vote in a presidential election year. Senate Republican leaders pulled a bill to reauthorize the 1996 welfare bill to avoid a vote on an amendment that would have increased the minimum wage from $5.15 to $7.00 (Wayne, 2004). In the House, Republicans used their control over committees and floor rules to prevent any proposed minimum wage increase from reaching the floor (Anon, 2004).

In March 2005, Democrats sought a minimum wage increase in three steps to $7.25. Republicans countered with an increase to $6.25 as well as several probusiness provisions. Both proposals fell short of the 60 votes needed to advance in the Senate (Swindell, 2006). In the 2006 election year, minority House Democrats made several efforts to attach a minimum wage increase to various bills. They succeeded, in part with the help of moderate Republicans, when the House Appropriations Committee adopted an amendment to the Labor, Health and Human Services, and Education spending bill to increase the minimum wage from $5.15 an hour to $7.25 by January 2009. House Republicans packaged (and approved) a minimum wage increase with a permanent reduction in the estate tax and extensions of several popular tax breaks, but Senate Democrats filibustered this package (Wayne, 2006). The House minority leader made the unresolved minimum wage increase issue a prominent campaign theme and promised that a Democrat-led House would bring the vote on the minimum wage within the first 100 hours (Sandler, 2006).

Democrats and President Bush Agree to a "One-Time" Bargain, 2006–9

After regaining control of the House in 2006, House Democrats and 82 moderate Republicans approved a stand-alone minimum wage increase to $7.25 per hour in three steps over two years. Proposed changes were not allowed in the House, where Democratic leaders barred all amendments, facilitating quick passage of the measure. In the Senate, where Democrats held a majority with 51 seats, several Democrats favored packaging small business tax relief with an increase in the minimum wage, claiming that small businesses "face their fair share of obstacles and deserve as much help as minimum wage workers" (Sandler, 2007). A bipartisan $8.3 billion tax relief/minimum wage package was brokered in the Senate, extending the work opportunity tax credit available to employers who hire low-income workers as well as offering other provisions for small-business tax relief.[20] House Democrats approved a bipartisan $1.3 billion tax package, but it was significantly smaller than the $8.3 billion in tax relief the Senate attached to its bill to increase the minimum wage. The House Democrats' package was considered under expedited procedures limiting debate, prohibiting amendments, and requiring a two-thirds majority for passage (Ota, 2007). By April 2007, the House and Senate agreed to an assortment of small-business tax breaks and offsetting revenue increases to accompany the first increase in the minimum wage in a decade and linked it with an emergency supplemental appropriations measure for the war in Iraq (Rubin, 2007). The final agreement raised the minimum wage to $7.25 by 2009 and provided $4.84 billion in small-business tax relief. Democrats attached the minimum wage/small-business tax relief provisions to one of President Bush's legislative priorities, ensuring his approval of the minimum wage increase (Sandler, 2008).

President Obama and No Minimum Wage Increase, 2008–12

In 2008, president-elect Barack Obama pledged to raise the minimum wage as part of his agenda to fight poverty. He claimed that the increase "would help make work pay for all Americans in an era of widening economic inequality: by the end of 2011, he would raise the federal minimum wage to $9.50 an hour and index it to inflation, to make sure that full-time workers can earn a living wage" (Jamieson, 2012). But no such measure passed during Obama's first two years in office, and with Republicans taking control of the House in 2010, a minimum wage increase became highly unlikely. In remarks on the primary campaign trail in early 2012, Republican presidential candidate Mitt Romney announced his support for allowing "the minimum wage to rise with the CPI (Consumer Price Index) or with another index so that it adjusts automatically over time" (Olson, 2012). However, by March 2012, Romney claimed he was against raising the federal minimum wage.

Since 2009, the minimum wage has remained at $7.25 per hour. If the minimum wage had kept pace with inflation since 1968, today it would be at $10.57 per hour, instead of the current federal minimum wage. Progressive advocacy groups point out that the president has failed to make good on his promise to raise the federal minimum wage to $9.50 an hour and link it to inflation. If Obama does not secure a minimum wage increase in his second term, he would be the first post–New Deal Democrat in the White House to not sign an increase.

Conclusion

The federal minimum wage, instituted as part of the New Deal regulatory approach to labor market problems, has endured throughout subsequent eras, both liberal and conservative, in American politics. Despite a significant literature on the politics of U.S. social policy, particularly of the 1930s New Deal and the 1960s Great Society, scholars have neglected more incremental redistributive policies, such as the federal minimum wage and the Earned Income Tax Credit. While scholars claim that a coalition of southern Democrats and Republicans limited American social policy, moderate southern Democrats and Republicans were key to the coalition that adopted the original minimum wage and later increases to it.

The impact of the New Deal choice to retain statutory control indeed biased the federal minimum wage toward the status quo or toward only incremental change. However, while a conservative alliance of southern Democrats and Republicans imposed their preferences on each minimum wage agreement, a group of moderate southern Democrats and Republicans joined with liberal Democrats to amend the minimum wage. Bargaining throughout the twentieth century can be characterized by different political coalitions trying to gain legislative advantage or more often simply accepting small adjustments to the status quo.

After the minimum wage's origins in the later New Deal, coalitions adopted minimum wage increases only twice (in 1949 and 1955) in more than two decades of a stable conservative alliance in the House. Since 1937, party declined as a base of agreement for congressional majorities to govern. In the absence of cohesive party majorities, conflict over a federal minimum wage took place within parties, splitting them into factions that had to be put together before Congress could make decisions (Brady & Bullock, 1980, Herzberg, 1986). Over much of the twentieth century, the coalition needed to amend the minimum wage was drawn from three congressional voting blocs: northern Democrats, southern Democrats, and Republicans (Sinclair, 1982). Members of a House conservative coalition—often but not always one southern Democrat and one Republican—repeatedly offered substitutes to reduce the scope of coverage and the amount of any minimum wage proposal.

By the 1960s, large Democratic majorities in Congress (plus Presidents Kennedy and Johnson) expanded the scope and amount of the minimum wage. Except during those rare times—such as the 1960s—when liberal Democrats enjoyed overwhelming majorities in both chambers, substitutes (narrowing coverage and magnitude of increase) passed. After the New Deal, liberal Democrats were forced to accept a narrower minimum wage in exchange for political support from moderate southern Democrats and/or Republicans on the final votes. In the 1960s and 1970s, Democratic Congresses won three small increases, twice by compromising with Republican presidents (Nixon and Bush) who had previously exercised presidential vetoes. Between these episodes, the minimum wage lost ground to inflation.

By 1980, the later New Deal bargain began to unravel. With the election of Reagan and a Republican Senate in 1980, the political debate shifted from increases in the nominal wage and expansions of coverage to exemptions and a subminimum wage. With the Republican takeover of Congress in 1994 and the decreasing number of southern Democrats in Congress, the coalition needed to amend the minimum wage in 1996 was drawn from new congressional voting blocs: Democrats, conservative southern Republicans, and moderate Republicans. A new political logic emerged: The conservative Republican House majority leadership allowed an enacting coalition of moderate Republicans and Democrats (plus President Clinton) to adopt a minimum wage increase only when it was coupled with tax breaks for small business. With Republicans gaining control of the House, Senate, and White House in 2000, proposals to amend the federal minimum wage stalled. While Democrats proposed several increases, Republicans made counterproposals of regulatory relief and tax breaks for small business.

After regaining control of Congress in 2006, the Democrats secured an increase as part of a supplemental defense appropriations bill that provided emergency funds for the war in Iraq but coupled the raise in the minimum wage with small-business tax relief.

Throughout the last several decades, the notions of political winners and losers with regard to the federal minimum wage have contained an inherent ambiguity. Neither liberals nor conservatives can claim complete victory. On one hand, liberal Democrats often won in the sense that they raised the minimum wage and expanded the workers it covered. But they lost because they failed to lock in or insulate any victory by committing the federal government to an annual review or automatic indexation. As a result, inflation eroded the value of the nominal minimum wage between episodes. On the other hand, a conservative alliance repeatedly won in the sense that it retained political influence and shifted the status quo on its own terms—limiting the scope, magnitude, and timing of any change to the minimum wage. Most important, no action by Congress and/or the president produced the most significant nonincremental change, as a nominal minimum wage did not keep pace with the cost of living or with a fixed percentage of the average wage. The respective preferences of Democrats and Republicans aside, lawmakers in general have shown significant interest in the federal minimum wage when they are facing reelection. Congress has tended to adopt minimum wage changes in a series of incremental annual steps rather than one large increase, often leading to a series of transitional gains designed to correspond to national elections (Sobel, 1999).

Within the U.S. system of shared powers, political compromise over the minimum wage has repeatedly been necessary for contending political actors to get a measure of what they prefer. Like most short-term social and economic problems, the minimum wage has not always generated amending legislation because the House, Senate, and president have had different preferences at different points in time. However, as the problem persisted, a solution in the common interest emerged, and preferences realigned so that a political agreement could be reached. Because of the constitutional separation of constituencies of elected officeholders and the absence of disciplined political parties, enacting coalitions had to be rebuilt each time the minimum wage was raised. Nonetheless, American political institutions, populated by political actors elected under differing electoral structures and holding disparate preferences, made and remade bargains. In each instance, the heavy hand of later New Deal history shaped the constraints and opportunities for subsequent political choices.

Notes

1. The 1938 FLSA can be viewed as the foundation for other federal legislation regulating working conditions in interstate commerce, such as the 1970 Occupational Safety and Health Act, the 1974 Employee Retirement Income Security Act, the 1967 Age Discrimination in Employment Act, and the 1993 Family and Medical Leave Act.
2. Katznelson et al., (1993) pool all labor votes as both NLRA/Taft-Hartley as well as the FLSA.

3. The claim that institutions matter is routinely invoked in the work of new institutionalists who study American political and policy development. A tension has arisen between rational-choice theorists, who tend to make theory extremely thin and deterministic, and historical-interpretive scholars, who insist on historical contingencies that leave open too wide a range of possibilities.
4. For a focus on the role of constituent factors, see Bloch (1980, 1993), Cox and Oaxaca (1982), Kau and Rubin (1978), McKenzie (1980), Rustici (1985), Silberman and Durden (1976), and Steindl (1973).
5. While economic interests are important to congressional decision making, modeling or measuring the influence of those interests is difficult. See Moe (1987) and Romer and Rosenthal (1987).
6. *A. L. A. Schechter Poultry Corporation* v. *United States*, 295 U.S. 495 (1935).
7. *NLRB* v. *Jones & Laughlin Steel Corp.*, 301 U.S. 1 (1937).
8. FDR proposed the exclusion of products made under "oppressive" labor conditions from interstate commerce; the establishment of a "non-oppressive" federal minimum wage (80 cents/hour); and the fixing of wages in low-wage industries where workers had little bargaining power (and were not organized to participate in collective bargaining). See U.S. Congress, Senate, Committee on Education and Labor (1937a).
9. Hostile toward the recently empowered NLRB, both organized labor (the American Federation of Labor [AFL]) and business (the U.S. Chamber of Commerce and the National Association of Manufacturers) sought to eliminate the proposed administrative board. The AFL had grown increasingly skeptical of the NLRB, which it believed favored the industrial unions of the Congress of Industrial Organizations (CIO) over the AFL's craft-based unions. The CIO and the United Mine Workers of America preferred that Congress regulate by direct statute and limit the board's authority to investigating those industries that failed to keep up with the minimum wage rate. Farhang and Katznelson (2005) argue that southern Democratic concern about growing federal administrative authority over the employment relationship during World War II was an important cause of southern Democrats' defection from the New Deal coalition on labor.
10. For example, with the final Senate vote, 75 percent of committee members supported the FLSA, compared with 64.3 percent of nonmembers. In the two House votes to recommit the FLSA back to committee, 76.2 and 95 percent of committee members supported the FLSA, compared with 28.6 and 42.9 percent of nonmembers (see Seltzer, 1995).
11. The House Rules Committee, a general-interest committee, was disproportionately composed of opponents of the FLSA. In the House votes, 28.6 and 42.9 percent of members supported the FLSA, compared with 48.5 and 77.4 percent of nonmembers (see Seltzer, 1995).
12. *Gallup Poll: Public Opinion*, vol. 1, June 6, 1937.
13. Public Papers of the President 1946.
14. A 1947 Gallup poll posed the following question: "The unions have been trying to collect pay for the last several years for workers to cover the time they needed to get from the factory gates to where they actually began to work on the jobs. Should workers be paid for this time for the last several years?" *Gallup Poll: Public Opinion*, vol. 1, 1947.
15. *Congressional Record*, March 22–24, April 20, May 3, 1961, 4584–91, 4773–815, 6360–77, 7178–95; Anon (1961, p. 477).
16. *Congressional Record*, 1961, 4800–4801.
17. http://www.jfklibrary.org/Research/Ready-Reference/Legislative-Summary-Main-Page/Legislative-Summary/Labor.aspx.
18. U.S. House, H.Rpt. 101-47.
19. For the final tax provisions of the minimum wage/tax bill, see Anon (1996c, p. 2-38).
20. For a full list of tax provisions, see Sandler and Ota (2007).

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