Making the Case

The results of this new research are generally good news for proponents of living- and minimum-wage laws. Ripple effects do not portend dire consequences for employers from minimum and living wage laws; at the same time, ripple-effect raises heighten the effectiveness of these laws as antipoverty strategies.

In the case of minimum-wage laws, because the cost of legally mandated raises relative to employer revenues is small, even ripple effects large enough to triple the cost of a minimum-wage increase do not represent a large burden for employers. Moreover, ripple effects enhance the somewhat anemic minimum-wage laws to make them more effective as policy tools for improving the lot of the working poor. Accounting for ripple effects nearly quadruples the number of beneficiaries of a minimum-wage hike and expands the majority of those beneficiaries who are adults—in many instances, family breadwinners.

However, ripple effects do not appear to overwhelm employers in the case of the more ambitious living-wage laws. The strongest impact from living-wage laws appears to come from legally required raises rather than from ripple-effect raises. This reinforces advocates' claims that paying a living wage is a reasonable, as well as potent, way to fight poverty.

SOURCES Fairris, D. et al. *Examining the evidence: The impact of the Los Angeles living wage ordinance on workers and businesses*. (Los Angeles Alliance for a New Economy, 2005); Fuchs, V. et al. "Economists' Views About Parameters, Values and Policies: Survey Results in Labor and Public Economics," *Journal of Economic Literature* (Sept. 1998); Pollin, R., Brenner, M. and Wicks-Lim, J. "Economic Analysis of the Florida Minimum Wage Proposal" (Center for American Progress, 2004); Pollin, R. and Brenner, M. "Economic Analysis of the Santa Monica Living Wage Proposal," (Political Economy Research Institute, 2000); Reich, M. et al. *Living wages and economic performance*. (Institute of Industrial Relations, 2003); Wicks-Lim, J. "Mandated wage floors and the wage structure: Analyzing the ripple effects of minimum and prevailing wage laws." (Ph.D. dissertation, University of Massachusetts-Amherst, 2005).

Responding to Reading

MyWritingLab™

1. What is "the ripple effect"? According to Wicks-Lim, what effect does an increase in the minimum wage have on those who make above the minimum wage? on employers who must pay higher wages?
2. Why is there less of a ripple effect with living-wage laws than with minimum-wage laws?
3. **Rhetorical Analysis** Wicks-Lim never defines "minimum wage," "living wage," or "ripple effect." Should she have? What does the failure to define these terms suggest about how she views her readers?

Writing about Reading

MyWritingLab™

1. Do you think all Americans are entitled to a living wage? Why or why not?
2. **Writing with Sources** Research the debate over enacting living-wage legislation. What are the advantages and disadvantages of such legislation? Write an essay in which you present your findings and take a stand on this issue.

IF A BUSINESS WON'T PAY A LIVING WAGE, IT SHOULDN'T EXIST

The Daily Take Team, the *Thom Hartmann Program*

The Daily Take Team writes for the Thom Hartmann Program, *a progressive radio talk show hosted by entrepreneur and author Thom Hartmann. Hartmann has published numerous books, including, most recently,* Death in the Pines: An Oakley Tyler Novel *(2015). The following essay argues for the necessity of a living wage for all workers.*

Last week,[1] thousands of fast food workers from across the country walked off their jobs to demand a living wage of $15 an hour. Ever since, the Republican talking point machine has been running on all cylinders.

According to pundits on the right, giving fast food workers or any other workers, for that matter, a $7 or $8 bump to their hourly wages would cut so much into the bottom lines of "job-creators" that business owners would have to either pass the cost of a living-wage onto consumers or simply stop hiring new workers altogether.

But lost among all the noise on the right is one very, very important point: getting tax preferences and limitations on liability to do business in the United States is a privilege, not a right. It's a privilege that we as a society offer to budding entrepreneurs and big business alike in exchange for goods, services, and jobs.

Look at it this way: when someone opens up a business, they're entitled to all sorts of special tax breaks that most people can't get. They can write off fancy meals; they can write off nights stayed at five-star hotels; they can write off airfare to anywhere in the world they do business, or even might do business; and they can even write off any legal expenses they incur when they get busted for breaking the law. Drug dealers who push pot can't write off their lawyer's fees, but drug dealers at Big Pharma,[2] even when they lie and break the law in ways that kill people, can—all because they're incorporated.

[1]This essay was published on August 8, 2013. [Eds.]
[2]A nickname for the pharmaceutical industry. [Eds.]

CHAPTER 10 FOCUS

5 All these breaks come in exchange for the company receiving these benefits giving society something back in return. Besides a useful service like selling meals or a good product like a well-made car, the single most important thing a business owner can give back to society is a well-paying job with benefits.

A job that pays a living wage isn't just good for the workers who get to take home a livable paycheck, it's good for other business owners and the economy as a whole. Businesses need people with a reasonable income to buy their goods. When workers are paid so little that they can barely afford to eat, they can't spend additional money and as a result, the entire economy suffers. This is economics 101.

That implicit contract between society and the business owner used to be common knowledge in this country and, until the Reagan Revolution,[3] was kept intact by businesses. Now, however, corporate America has thrown it out the window.

Walmart is the most egregious example. The nation's largest employer is one big corporate welfare scheme for the company's executives and the billionaire Walton family.

Walmart makes nearly $35,000 in profit every minute and, as of 2012, its average annual sales stood at $405 billion dollars.

10 According to *Mother Jones*, the six Waltons, whose money comes from Walmart, control an estimated $115 billion dollar fortune. In total, that's more than a staggering 42% of Americans combined.

And where did they get all that money? They took it out of the business instead of paying their workers a living wage.

Thus, at the same time that Walmart executives are raking in the millions and the Walton family's fortune is ballooning, Walmart employees struggle to get by.

The average Walmart employee makes about $9 per hour, and would have to work over 7 million years at that rate to accumulate as much wealth as the Waltons have. To make matters worse, only some of the company's employees qualify for its very minimal health insurance plan.

As a result, you and me—and the rest of America's taxpayers—are subsidizing Walmart by paying for the healthcare costs, housing, and food of Walmart employees. In fact, Walmart employees are the single largest group of Medicaid recipients in the United States.

15 A report released earlier this year by Congressional Democrats showed how much taxpayers subsidize the billionaire Walton Family at just one Walmart store in Wisconsin.

That report found that just that one Wisconsin store "costs taxpayers at least $904,542 per year and could cost taxpayers up to $1,744,590 per year."

[3] The presidency of Ronald Reagan (1981–1989). [Eds.]

That's $1.7 million that could be used to build a new school for kids, patch up one of our country's many crumbling bridges, or build a community health center. Instead, the Walton billionaires are taking that $1.7 million as dividends and they even get their own special low tax rate—about half of what working people pay—because it's dividend income.

Walmart isn't living up to its end of the American business bargain. It gets billions of dollars in taxpayer subsidies while its employees need government assistance to survive. If we're going to give businesses, like Walmart, the privileges and tax breaks associated with running a business, they should at the very least conduct themselves in ways that benefit society, rather than hurt it.

Fortunately, there is an alternative. Costco, a wholesale distributor and one of Walmart's major competitors, is among America's most successful companies. In the first quarter of 2013 alone, its profits "jumped 19 percent to $459 million," beating out its rivals K-Mart, Target, and, of course, Walmart. Since 2009, its stocks have doubled in value and profits are up 15 percent. But unlike Walmart, Costco pays its workers a living wage, and then some. The average Costco employee makes a little over $20 an hour and takes home, on average, around $45,000 a year. By comparison, the average yearly pay of an employee at Walmart's wholesale unit, Sam's Club, is only about $17,500.

But that's not even the best part. Costco offers customers cheap 20
prices that are comparable to or even better than those offered at Walmart, all while paying its workers a decent wage and giving almost 90 percent of them company-subsidized health care plans.

So what's the difference between the two chain stores? Costco's founders, Jeffrey Brotman and James Sinegal, aren't among the world's super rich like the Walton family. The Walton billionaires bleed their workers dry and it makes them one of the richest families in the world. The guys who started and the executives who run Costco are merely multi-millionaires.

The point here is that it *is* possible for companies to pay their workers a living wage, make money, and give their customers an excellent product, all at the same time. The idea that we have to choose between paying workers well and having successful businesses is just false. That choice only exists when the owners insist on squeezing billions out of their workers.

A living wage isn't just something corporations owe their workers, it's something corporations owe America.

If a corporation won't pay a living wage, then it shouldn't have the right to exist. Period. End of story.

Responding to Reading

MyWritingLab™

1. According to the writers, "Walmart isn't living up to its end of the American business bargain" (18). What is that bargain? Why is Walmart not living up to it?
2. List the major claim the writers make in this essay. What evidence do they present to support this claim? Do they present enough evidence? the right kind of evidence?
3. **Rhetorical Analysis** *Hyperbole* is the use of exaggerated claims that are not intended to be taken literally. Can you find any examples of hyperbole in this essay? Do you think they strengthen the essay? Why or why not?

Writing about Reading

MyWritingLab™

1. According to the writers, "the single most important thing a business owner can give back to society is a well-paying job with benefits" (5). Do you agree?
2. **Writing with Sources** In 2015, Walmart raised the minimum wage of its lowest-paid workers to $9.00 and hour, $1.75 above the federal minimum wage. Research the reasons why Walmart decided to make this change. Then, write an essay in which you discuss how Walmart's action affects this essay's main point.

THE MINIMUM WAGE DELUSION, AND THE DEATH OF COMMON SENSE

James Dorn

A regular online contributor to Forbes, *James Dorn writes about issues related to global economic policy and monetary reform. The vice president for monetary studies, the editor of the* Cato Journal, *and a senior fellow at the Cato Institute in Washington, D.C., he is also the editor or coeditor of numerous books, including, most recently,* Peter Bauer and the Economics of Prosperity *(2009). In the following essay, Dorn considers the negative effects of raising the minimum wage.*

Senator Edward Kennedy once called the minimum wage "one of the best antipoverty programs we have." Jared Bernstein, former chief economist to Vice President Joe Biden, thinks "it raises the pay of low-wage workers without hurting their job prospects." And Ralph Nader[1] thinks low-wage workers deserve a pay increase—and the government should provide it.

Why do those beliefs persist in the face of common economic sense? No legislator has ever overturned the law of demand, which says that when the price of labor rises, the quantity demanded will fall (assuming other things are constant). That same law tells us that quantity demanded (i.e., the number of jobs for low-skilled workers) will decrease more in the long run than in the short run, as employers switch to labor-saving methods of production—and unemployment will increase.

The belief that increasing the minimum wage is socially beneficial is a delusion. It is short-sighted and ignores evident reality. Workers who retain their jobs are made better off but only at the expense of unskilled, mostly young, workers who either lose their jobs or can't find a job at the legal minimum.

A higher minimum wage attracts new entrants but does not guarantee them a job. What happens on the demand side of the market is not surprising: if the minimum wage exceeds the prevailing market wage (determined by supply and demand), some workers will lose their jobs or have their hours cut. There is abundant evidence that a 10 percent increase in the minimum wage leads to a 1 to 3 percent *decrease* in employment of low-skilled workers (using teens as a proxy) in the short run, and to a larger decrease in the long run, along with rising unemployment.

5 Employers have more flexibility in the long run and will find ways to economize on the higher-priced labor. New technology will be introduced along with labor-saving capital investment, and skilled workers will tend to replace unskilled workers. Those substitutions will occur even before an increase in the minimum wage, if employers believe such an increase is imminent. There will be fewer jobs for low-skilled workers and higher unemployment rates—especially for minorities—and participation rates will fall as workers affected by the minimum wage drop out of the formal labor market.

The minimum wage violates the principle of freedom by limiting the range of choices open to workers, preventing them from accepting jobs at less than the legal minimum. It also prohibits employers from hiring those workers, even if both parties would be better off. Thus, contrary to the claims of minimum-wage proponents, the government does not increase opportunities for low-skilled workers by increasing the minimum wage. If a worker loses her job or can't find one, her income is zero. Employers will not pay a worker $9 per hour if that worker cannot produce at least that amount.

Politicians promise low-skilled workers a higher wage, but that promise cannot be kept if employers cannot profit from retaining those workers or hiring similar workers. Jobs will be lost, not created; and unemployment will rise as more workers search for jobs but can't find any at the above-market wage.

Most employers cannot simply raise prices to cover the higher minimum wage, particularly in the competitive services sector. And if they do increase prices, consumers will buy less or have less money to spend on other things, meaning fewer jobs on net. Moreover, if the

[1]American political activist (1934–). [Eds.]

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