

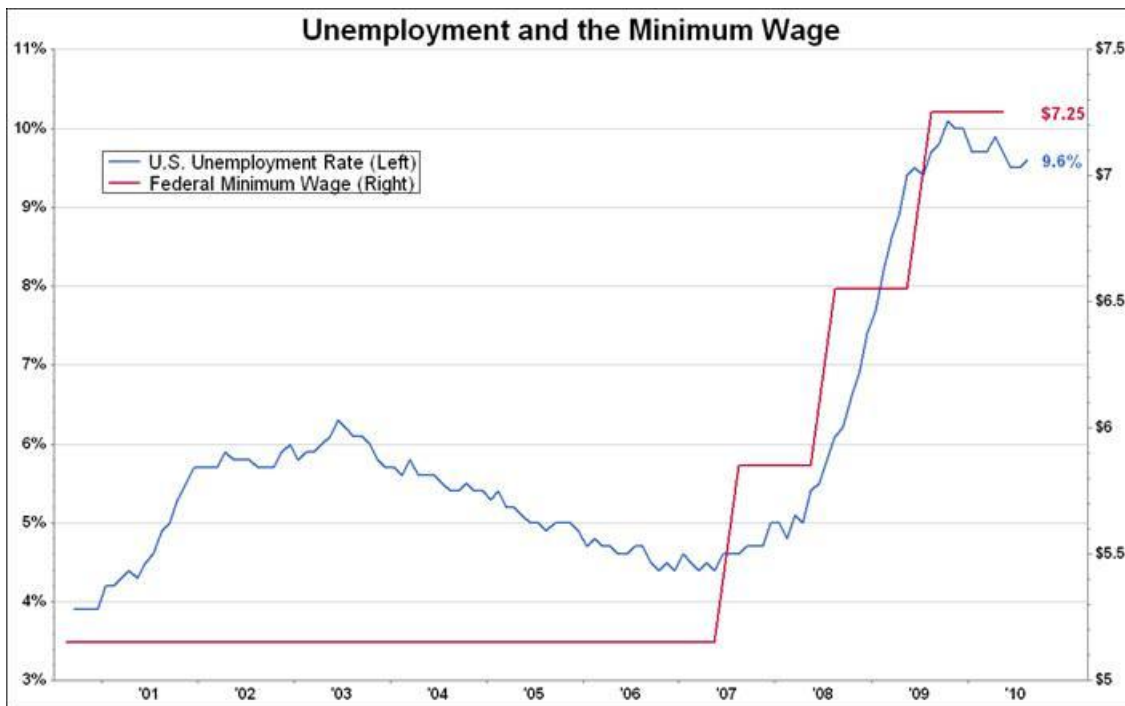


## The Pros and (Mostly) Cons of the Minimum Wage

by [Lawrence Meyers](#)

In yet another discussion regarding minimum wage on somebody's Facebook page, two issues were raised. The first surrounded the economic impact of minimum wage. The second involved the moral issues. As expected, those on the Left side of the political spectrum paid no attention to the former and focused exclusively on the latter. Thus, we once again witness the problem with political discourse in this country – each side frames arguments in ways that are diametrically opposed, squelching any meaningful discourse.

Assertion: Minimum wage causes unemployment.



Liberals will deny this up and down. Now, some may point to the [litany of studies](#) that support this assertion, and claim that since it was released by a Joint Economic Committee dominated by a GOP majority, that it is biased. However, if a crazy man runs into the room and screams that the sky is blue, whatever bias he may have is rendered inert by the facts. So if one wishes to challenge these studies, then one needs to debunk them one by one, and provide studies of one's own to support the opposite case.

Mind you, we don't need a litany of studies to prove the assertion. We can use actual, real-world examples. Let's say it's 2006, and I run an airline, and my customer service staff is based in Colorado. I pay them \$5.15 per hour. Then, in 2007, the minimum wage rises to \$6.85 an hour. My labor costs just increased over 30%. Even worse, there's likely to be further hikes. What do I do?

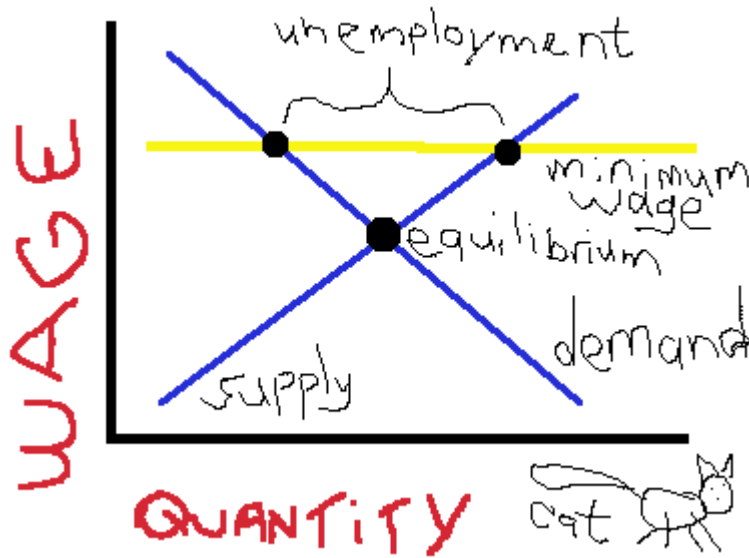
Do I hire MORE employees at this higher wage? No. Why spend even MORE money?

Do I fire some employees to keep my costs where they were before? Yes.



Employees get fired. Therefore, unemployment increases.

It's really that simple.



But then I get a really great idea. I'll fire EVERYONE, and hire a bunch of English-speaking Pakistanis in Islamabad at \$2.05 an hour. Not only can I save 67% in labor costs, but if demand for customer service reps increases, I can hire more of them for much less than I would have in the United States.

Result: American workers lose jobs. Pakistani citizens gain jobs.

Yet Liberals insist that this increase in unemployment will not happen.

Really? Ask the *former* customer service reps of United Airlines, because that's exactly what happened to them.

Having been spanked regarding the facts, Liberals then frame the argument as a moral issue. Workers should be paid a living wage, especially those that cannot form a union.

You know what? *They're right*. It would be the moral and ethical thing to do, especially if you can make certain those workers are American. Except business is not moral. It isn't required to be and may even be antithetical to its reason for existence. However, Liberals want to force businesses to be moral, but in attempting to do so via minimum wage, it results in people getting fired. You cannot legislate morality. It never, ever works. Remember Prohibition? Price controls destroy markets.

That does not mean, however, that businesses should not attempt to reconceive business practices of their own accord. The question at hand for any business – particularly in this economic climate – is whether the business itself may benefit by engaging in unorthodox practices that benefit it over the long term that may, on the surface, appear to be more costly. Still, show a business how it can profit, even intangibly, by re-patriating jobs and they'll at least consider it.

Does the creation of more productive employer-employee relationships benefit both the business and its consumers over the long term, even in ways that are intangible and unquantifiable, but might benefit the brand or even the bottom line? I often use Southwest Airlines as the paradigm in this issue. Despite



being 80% unionized, the company has never endured a labor action ever in its forty-year history. Its employees are made to feel like partners, and are encouraged to excel. Southwest remains the only airline to report a profit year after year, even post-9/11, and has never declared bankruptcy. This is not a coincidence.

One might reasonably ask if the degree of outsourcing is having a blowback effect on consumption. If you outsource a job, that person has less money to spend in the economy, possibly even on the products of the company that once employed him.

There is another factor lost on the Liberals – that of self-improvement, which was the hallmark of [my high school math teacher's](#) life philosophy. Nobody is *entitled* to a job, much less one that pays a living wage. However, if one makes himself more valuable in the workforce, then opportunities open up – opportunities that pay more than minimum wage. Suddenly, minimum wage becomes irrelevant to that worker.



If there's one place government is going to spend money, then it is in the government's, employers, and the economy's own best interest to spend that money on providing new and improved skills to the population. That's the kind of government spending that actually delivers a return on investment. Unfortunately, Liberals are more concerned with price controls and legislating morality to the detriment of those they seek to protect, rather than dare to require people to actually do something for themselves.