

## Political Economic Digest Series 15

Dear Political Economic Digest Series participant,

In the last issues of Political Economic Digest Series we discussed about privatization which has been a burning political economic issue for countries around the world since 1970s. In this issue, we will be discussing about another very pertinent issue – Minimum Wage.

Minimum Wage has been an issue of contention all around the world. Nepal too has faced its share of problems due to minimum wage conflicts between labor unions and the industries. Generally, it is believed that minimum wage helps to uplift the economic well-being of the workers by making sure that they get a certain standard of remuneration. By guaranteeing a minimum wage through legislation, governments hope to ensure that everyone gets “fair” wages for their labor. The popularity and political motives of minimum wages has left the concept uncontested in the political discourses. In this issue we present you readings that highlight the negative aspects of minimum wage.

### **The Hidden Costs of a Minimum Wage**

Art carden

People in the market can compete on many different margins. They can compete by offering higher productivity, or they can compete by offering better products. Perhaps most importantly, people can compete by offering lower prices. In the case of laborers, this often means offering their services at a lower wage.

Anyone who has taken an introductory economics course is familiar with the idea that a minimum wage leads to a reduction in the demand for labor and an increase in the supply of labor in the relevant market — usually, the market for low-skill workers. The minimum wage removes the ability of some workers to compete by accepting lower wages and shuts them out of the labor force. As a result, it reduces job opportunities for these workers. A minimum wage breaks the hinges on the door of opportunity.

However, there are additional, hidden costs of these interventions, which are more difficult to detect but perhaps more insidious. For example, one effect of a minimum wage is to reduce the availability of on-the-job training, since more resources are required simply to hire and retain a workforce. And further interventions in the labor market (for example, safety regulations and payroll taxes) make it still more costly to employ labor. These burdens together reduce a firm's willingness to hire laborers and — in the long run — must reduce the number of opportunities for those laborers to acquire valuable job skills. Far from increasing opportunities for the working poor, a minimum wage actually restricts their mobility.

In an attempt to compensate for the lack of skills and opportunities among the low-skilled, governments have created a lot of job training programs. However, whatever their intentions, these training programs circumvent the market processes that match skills with jobs. Every person has a unique set of skills, competencies, strengths, and weaknesses that will only be revealed through their activity in the market. Job training and skills assessments may be able to match people with suitable employment to some degree, but the search mechanism inherent in the labor market is a low-cost way of accomplishing the same result more efficiently.

Firms faced with minimum wage laws often substitute skilled for unskilled labor. In a [report for the Show-Me Institute](#), labor economist David Neumark offers an illustrative example: Suppose that a job can be done by either three unskilled workers or two skilled workers. If the unskilled wage is \$5 per hour and the skilled wage is \$8 per hour, the firm will use unskilled labor and produce the output at a cost of \$15. However, if we impose a minimum wage to \$6 per hour, the firm will instead use two skilled workers and produce for \$16 as opposed to the \$18 cost of using unskilled workers. In the "official data" this shows up as a small job loss — in this case, only one job — but we see an increase in average wages to eight dollars per hour in spite of the fact that the least skilled workers are now unemployed.

There is also a hidden social cost in minimum wage policies. Debates over a minimum wage erode social fabric by placing workers and their employers in opposition to one another. While there have been many legitimate reasons for some tension to exist between firms and workers, minimum wage policies set them in unnecessary opposition to one another over employment contracts, which are by nature cooperative and mutually beneficial. Encouraging the view that employment is a raw deal has created needless acrimony. At the margin, this intimidates people and discourages some from becoming employers themselves.

The prohibition of certain kinds of labor contracts also discriminates against — paradoxically — the law-abiding. Just as legal prohibitions on the use and sale of drugs have lured the lawless into the drug trade, prohibitions on certain forms of labor ensure that only those lacking in scruples will be left on the demand side of the market for, say, child labor and the like.

If restrictions, regulations, and price floors create massive deadweight losses, they also create incentives for firms and individuals to *evade* those restrictions, regulations, and price floors. Those with a comparative advantage in evading (or violating) the law will be most successful; thus, labor market regulation gives implicit encouragement and support to the unscrupulous. Restriction and regulation

reduces the relative price of dishonesty, which means we can expect greater levels of it in the marketplace.

Advocates of higher minimum wages are often motivated by the purest of concerns for the poor. However, the minimum wage has been described as a "maximum folly" by many economists for many years because it hurts precisely the people who most desperately need help. Self-styled friends of the poor are unrelenting in their advocacy of a higher minimum wage, but with friends like these, the poor do not need enemies.

## **Winners, Losers, and the Minimum Wage**

D. Kyle Ward

Many support the idea of a minimum wage, and usually that support is driven by a desire to help those with less. That inner desire is noble, but minimum wage laws have been around a long time, and people have had plenty of time to study their impact. Even with the best of intentions, if these laws harm those at the bottom, we should discard them.

"No business which depends for existence on paying less than living wages to its workers has any right to continue in this country. By living wages, I mean more than a bare subsistence level -- I mean the wages of decent living" (FDR, 1933).

Before looking at the impacts of the minimum wage, it's helpful to review its basic premise. Minimum wage laws assume that any job that doesn't afford a "decent living" is exploiting you. The largest problem with this premise, besides who determines what constitutes a "decent living," is that, on careful examination, it assumes that an employer can force people to work for an unfair rate. Given that assumption, a minimum wage is required to prevent the employer from abusing that power. In reality, an employer merely offers up a job at a given pay range, much like an electronics store offers up a TV at a given price. The seller and the employer have a range of acceptable prices, but the potential buyers and employees must agree. Of course, we would all like the TV for less and the job for more, but each party's agreement keeps things honest. If many people want the TV, the price goes up, and if many people can do the job, the wage goes down. It's supply and demand, not force.

When basic assumptions are wrong, the outcome is different from what's expected, and the TV analogy above can help us explain how this happens when minimum wages are set. Assume a politician determines today that charging over \$1,000 for a TV is unfair, and he passes a law capping the maximum

price. Tomorrow, all \$2,000 TVs will be on sale for \$1,000, because that's the law, and for the seller, \$1,000 is better than throwing the TVs away. People rejoice, and the politician ensures another election victory, but six months later, no one will be making the TV that used to sell for \$2,000. You can't run a legitimate business making \$2,000 TVs and selling them for \$1,000.

This applies directly to minimum wages. Assume our politician instead determines today that jobs paying less than \$10 an hour are unfair, and he passes a law raising the minimum wage. Tomorrow, all jobs paying \$7.25 an hour now pay \$10, because that's the law, and for the business owner, \$10 an hour is better than closing up shop. People rejoice, and our politician again ensures an election victory, but six months later, no one will be offering the same job that used to pay \$7.25. They can't afford to.

If prices are held constant, employers now need fewer people, each being more productive, to justify the \$10 hourly minimum. This conclusion, arrived at through thought experiment, is validated by extensive studies done on the effects of minimum wage increases, including this one from the National Bureau of Economic Research.

Although wages of low-wage workers increase, their hours and employment decline, and the combined effect of these changes is a decline in earned income. A politician cannot simply decree that a TV be cheap and it is so, nor that a job pays more and it does so. To assume otherwise is to suffer from a God complex. In reality, both the original TV and the original job are replaced with different versions that meet the politician's requirements.

### **Impact on the Poor**

At a low hourly wage, a business owner can afford to hire a person with minimal skills to do a simple job, which means it's easier for those at the bottom to get a foot in the door. Once in, they can learn more aspects of the business and, if they have the capability and desire, move up the ladder. Their knowledge of the business from the ground up will give them a competitive advantage at every rung.

With a high minimum wage, the same business owner can't afford that hire. The employer needs to ensure that the employee will be worth the high wage, and now diplomas, past work history, or an impressive interview are required. With these barriers to entry, those at the bottom can't get a job, and without one, they can't afford an education to learn the skills needed. They become trapped, with no legitimate means to improve their position.

A low minimum wage, or none at all, would allow an apprenticeship system to redevelop in this country. Low-skilled workers could be trained on the job and work their way through the ranks. Instead, as we follow our emotions blindly in support of minimum wages, we increasingly shut the door on one of the best ways to get motivated people out of poverty. There is nothing self-serving in the motives of the average proponent, but the loudest supporters, who make the minimum wage an issue in each campaign, do have something to gain.

As stated earlier, ideally, the job market is a place where workers compete for the best jobs and businesses compete for the best workers. If two applicants both meet a job's minimum requirements, the person willing to work for less will usually win the job, and in a fair market, that's the end of it. In reality, there are a number of things that the losers can do to prevent competition. The most well-known method is to conspire to set the wages that all employees must be paid. This is the form of collusion employed by labor unions. As with government-mandated minimum wages, union minimum wages prevent low-skilled labor from offering to work for less. If you have to pay an unskilled and skilled worker the same, the skilled worker gets the job.

With this understanding, is it any wonder that unions are usually the loudest proponents for high minimum wages? They understand that preventing the unskilled from competing protects their high wages, and the higher the minimum, the easier it is to demand an increase in their own pay rate. Since unions make up the largest special interests, and donate almost exclusively to Democrats, it's obvious why Democratic politicians support the minimum wage. These groups are not out to help the poor; they are out to help themselves.

If a politician wanted to pass a minimum wage of \$50 an hour, he'd be laughed at, because we realize that politicians cannot simply pass a law to make us rich. We should also remember that they cannot do the same to end poverty. We need to return to reality and begin opening the doors to opportunity that we've closed in our ignorance. The next time a Democrat promotes the minimum wage, ask if he is helping the poor or his biggest campaign donor.

## **How much should I earn, Sire?**

Sarita Sapkota

Nepal Rastriya Bank (NRB) recently announced that it will set parameters to fix the salaries of Chief Executive Officers (CEOs) of Banks and Financial Institutions (BFIs) in Nepal. The main argument put forth by NRB is that salaries are to be fixed on the basis of degree of salary difference with junior staff (since

the difference is high, the salaries need to be curbed) and profit of the BFIs. While it sounds rather pleasing to the ears, both reasoning seem to fall short in terms of logical argument.

In the first case, setting salaries on relative terms is hardly logical as salaries and wages are paid according to the roles and responsibilities of that particular job. Simply said, the work of a CEO is different than that of other junior employees and hence the pay is different. Besides, two parties voluntarily agreeing and entering a professional contract to exchange services on whatever terms they deem relevant is totally up to those involved in that transaction. In this case, the CEO has to be able to deliver at his/her job and keep the board and shareholders happy to be able earn that much and if that is the case, there seems to be no logic in intervening.

In the second reasoning, where salaries are to be set according to the profits made by the BFIs, the institutions have been doing that already as institutions provide salaries and benefits according to the profits they make. It would seem very simple business logic, that shareholders and Board of Directors would only allow an amount of salary that they think is affordable and fair for their own business, wouldn't it? After all, why would anyone want to do a business of 'making loss' by over paying some of their staffs? In the existing Nepalese scenario, where the only private sector that seems to be doing well is the commercial banking industry, banks should be allowed to freely hire the best of the CEOs at best of the prices to deliver the best of the services in this competitive environment. Curbing the salaries of the CEOs is a major action of killing the competition by disrupting the incentive system and bringing stagnation to the growth of this sector. In fact, deciding on a Bank's CEO's salary or for that matter, anyone's salary resembles the pitfalls of our very unpopular bureaucratic system which is termed inefficient due to the lack of incentives both positive and negative where neither one is rewarded for delivering outputs in time nor punished for a bad performance.

Another line of argument put forth by the NRB in trying to introduce this policy where payment of variables to the CEOs on a deferral basis as prescribed by it is supposed to prevent CEO's from taking more risks, it is baffling to see how NRB has more information and better judgment over the risks than that particular institution which is directly affected by the action or risk it takes. Better information and analysis needed to make judgment about the risks is more likely to be with the concerned institutions and the concerned CEOs who will be facing the direct consequences of that action/risk. It seems pretty presumptuous of NRB to think that only it has the best brains of the industry that can predict all the risks and have a cure for all uncertainties.

The myth one has to shrug off at this particular moment of understanding is that, the action of NRB trying to curb the salaries of the CEOs no way falls on the practice of regulatory environment. That would only be a case if a bank was committing a fraud or was squandering the taxpayers' money. Only in these cases, it would be the role of the Central Bank to step in.

Targeting the CEOs of the Banks with policies like these when they are some of the highest earning people of the nation gives rise to a huge risk of portraying us as a nation which considers its citizens making more money as something next to immoral. And in that respect, in a society where making money is projected as immoral, prosperity will just remain as elusive as it has been so far. Trying to envelope this with ludicrous reasons like affordability of the country's financial system, making it transparent and digestible while bringing such policies just seems like a pure facade. If affordability really is the question, can we afford to have 601 CA members for more than 36 million Rupees per month when the constitution is being pushed behind all the time? Similarly, speaking of transparency, the CEO's

incomes are published in the annual report of the bank. Finally, that brings us to the reason of digestible salary which basically seems to be the agenda. But that raises the question, 'how much would actually be digestible and to whom for that matter'? Can a poor nation not have high earning CEO's? If that is the case, why only the financial sector which is one of the very productive areas of the economy? Why not CEOs, experts and other such high ranking officials who are paid huge money to run various development projects that runs on aid (both grants and loans) money? And this is not possible because for a third party to decide on what would be the appropriate wage (minimum and maximum both) of people in different sectors will naturally require the third party to have better information and knowledge about the services, the individuals and their work than those actually involved in it which is again unlikely to be possible.

Therefore, a private institution is so long private if decisions like salaries are left up to them. It has to be made clear that policies or actions like these do not contribute to any regulatory measures. This justifies itself as pure interference for the primary reason that it has no logical and practical grounds of implementation other than that. If the shareholders, the board of directors and other concerned parties hire a CEO on terms on condition agreed upon voluntarily by all involved, no matter how high or low the amount of the salary be, other parties who are not involved have no right to interfere based on any authority what so ever. I doubt that a prestigious institution like NRB has really run out of things to do. There are many more agendas that require immediate attention. How about focusing on curbing inflation for a change rather than discouraging people for getting paid for their hard work?

## **Should the Minimum Wage Be Abolished (i.e. Reduced to \$0.00)?**

**Debate on minimum wedge: Source- [Balancedpolitics.org](http://Balancedpolitics.org)**

### **Overview/Background**

In presidential and Congressional campaigns, the issue of raising the minimum wage workers is often brought up. Most Republicans and many Democrats oppose a rise in the minimum wage. Some economists believe it should be abolished altogether; in other words, businesses would be able to pay \$1 or \$7 per hour if they wanted, assuming they could find people to hire at the specified rate. This analysis examines the pros and cons of the economists' suggestion.

### **Yes**

- The vast majority of economists believe the minimum wage law costs the economy thousands of jobs. The most fundamental principle of economics is 'supply and demand'. In the case of labor, this means that the supply of workers goes up as wage goes up, and the demand for workers by employers goes down as the wage goes up. For example, imagine a janitorial job was advertised

for hire. If the wage is \$100 per hour, thousands of people would want the job. If the wage was \$1 per hour, you probably wouldn't find anyone to do it. Conversely, if the government forced the employer to pay at least \$7 per hour, the employer might decide not to hire a janitor at all, instead opting to have other staff pick up the duties. Thus, a job would be lost because of the minimum wage. Another example is restaurant employment. A manager might have \$10,000 in her monthly budget to hire bus persons. If the wage is set at \$7 per hour, the manager may only be able to hire 10 bus people instead of 15. Setting a mandated wage limit disrupts market forces of supply and demand. Just because there is no minimum wage doesn't mean companies can pay whatever they want. Would you work a dishwashing job that paid 25 cents per hour? Would anyone? If they raised the wage to \$4 per hour, they might be able to hire a high school student. Consider some highly skilled jobs such as accountant, lawyer, and engineer. Do these people make \$5.15 an hour? Obviously, the answer is no. Market factors of supply and demand determine how many jobs are available and what each job would pay. In summary, as the minimum wage goes up, the number of people employed goes down. When the minimum wage goes down, the number of people employed goes up. Keep in mind: the minimum wage only applies if someone is employed.

- Teenagers, workers in training, college students, interns, and part-time workers all have their options and opportunities limited by the minimum wage. Over 95 percent of minimum wage jobs are taken by the groups named above. You cannot make a living and support a family on a minimum wage job. These jobs are typically positions requiring little or no training that can be filled by almost anyone. Many students, part-timers, and other young workers are willing to take much less than minimum wage, especially if it is a fun or educational job. We all know that having a paying job when you're young teaches values such as discipline, hard work, and responsibility. It teaches young workers how to handle money and deal with other people. Thus, as a society we want to maximize the number of young people that work, even if it's for small wages. In fact, earning low wages provides extra motivation to go to college or acquire advanced job skills by some other method. Raising the minimum wage to \$7 or more will definitely help some people trying to support a family, but it will hurt the group that holds almost all minimum wage positions. It will simply mean fewer low-skill jobs for those that actually need them. However, in some cases, this downside of the minimum wage can be minimized by applying a multiple-wage structure, allowing a lower minimum wage if you fit into one of these groups. In 2009, thanks in large part to a higher minimum wage, brought the national teenage unemployment rate to record highs --over 25%!

- A low-paying job remains an entry point for those with few marketable skills. Almost no one wants to work a minimum wage job for the rest of their lives. We all want the higher paying and more interesting jobs. But how do you get one? Even if you've acquired a college or technical degree, you may not be able to get the job you want. The most common question in a job interview is "What experience do you have?" Jobseekers are then faced with the no-win situation "I can't get a job without experience, but how can I get experience without a job?" If you allow businesses to pay smaller entry wages, they will offer more opportunities to jobseekers with no experience. Thus, it's a win-win situation. The business can take on additional workers for a reasonable price. The jobseeker can gain valuable experience that can be used to get a decent, high-paying job later on. In the next decade we face a major shortage of highly skilled workers in technology, health care, and other complex fields. We need to provide people as many opportunities to learn and gain experience as possible.
- Abolishing the minimum wage will allow businesses to achieve greater efficiency and lower prices. Anytime you give businesses more flexibility, you will increase efficiency and lower prices. Let me give you some examples. Say a McDonald's franchise has a budget of \$70 per hour to pay worker wages (without considering benefits and taxes). If that McDonald's must pay \$7 per hour, it can hire 10 workers. If it must only pay \$5 per hour, it can hire 14 workers. If you go to get a burger, in which situation are you more likely to get it faster? Consider the same situations for a Wal-Mart. In which case are you most likely to find an employee that can take you to an item or answer questions? Thus, businesses can be more efficient and provide better customer service with a lower wage. Another example: imagine three competing coffee shops. All three need to make a certain profit margin to stay in business and make their effort worthwhile. So they all will lower their prices as much as possible while still covering that necessary profit margin. If one of them tries to charge more, customers will simply go to the competitor shops. Now assume the minimum wage is eliminated and each shop can now reduce labor costs by 25 percent. If each doesn't reduce its coffee prices by a proportional amount, it will lose customers to the other two competitors. So by lowering the minimum wage, the public now has to pay less for their espressos. This is obviously a simplistic example, but the principle applies to all businesses. A company cannot simply charge whatever it wants for a product or service. It must always charge a reasonable multiple of its cost; otherwise, it is heading for bankruptcy.
- When you force American companies to pay a certain wage, you increase the likelihood that those companies will outsource jobs to foreign workers, where labor is much cheaper. There has been a lot of attention lately on the subject of job "outsourcing", where U.S. companies hire

foreign workers instead of Americans. When businesses outsource American jobs, they're not doing it because they hate America; they're doing it because they're trying to cut costs. When you increase the price of labor in America, you create an additional incentive for businesses to hire Canadian, Mexican, or other foreign workers. The best way to stop outsourcing of jobs is to provide the best conditions for doing business in America. A minimum wage just makes things tougher for companies to do business in America. Remember that American companies may have no choice but to outsource with the high cost in the U.S.--they may go out of business entirely if they can't cut costs to a level that's competitive with foreign competitors.

- Non-profit charitable organizations are hurt by the minimum wage. Keep in mind that minimum wage laws apply to more than big businesses, they apply to government and non-profit organizations. Charitable organizations are among those most likely to benefit from the elimination of the minimum wage. Let's take an example. Consider a domestic violence shelter. This type of shelter normally needs workers to clean, collect & organize donations, counsel & assist residents, monitor help-lines, provide legal assistance in such things as obtaining restraining orders, and so on. Volunteers help relieve some of the duties, but it's often tough to find dedicated ongoing volunteers to do the job. After all, volunteers still have to earn a living, raise a family, etc. However, if the charitable organization were able to pay some amount, even a few dollars an hour, it would better be able to build a more steady set of workers. A non-profit organization may simply not be able to afford a \$7 per hour pay rate. Thus, non-profits have only two solutions: dissolve their organizations or hire fewer people to provide the charitable service.
- The minimum wage can drive some small companies out of business. Many people believe businesses have endless supplies of cash and can easily withstand minimum wage increases or other cost increases. Unfortunately, that's simply not the case. Over 90 percent of businesses fold within the first few years. Every time there is a recession, thousands of businesses go under. Restaurants, which pay wages at or near the minimum wage level, have the highest rate of failure of any business type. Anytime you increase the costs of businesses, you push them closer to the edge. Let's take an example. Imagine a small neighborhood hardware store. This hardware store isn't going to have the logistics and economy of scale advantages of say, Wal-Mart; thus, it must charge more. It probably makes up the price difference with better service. When you raise the minimum wage, it increases the operating costs for that hardware store even more. Thus, it must raise its prices to cover costs. Eventually, prices get so high that customers conclude that shopping there isn't worth the additional cost. Slowly, the local hardware store is driven out of business.

- A minimum wage gives businesses an additional incentive to mechanize duties previously held by humans. Most businesses, especially in the manufacturing and retailing area, have many mundane tasks that need to be done, such as running a cash register or tightening a bolt on an assembly line. One of the reasons the manufacturing sector has not been part of the job recovery is that businesses have found it's much cheaper to use machines to do tasks that were previously done by people. Whenever businesses automate any task, they usually must spend a lot of upfront money and time in order to save down the line. Because of the minimum wage, spending the upfront time & money seems more worthwhile. For example, Wal-Mart is in the process of adding automated check-outs to almost all of its stores. Thus, all those cashier jobs will disappear. Imagine what would happen if the minimum wage was raised to \$8-10 or more, as some politicians want. Do you think Wal-Mart will be more willing or less willing to add more automated checkouts?
- Cost-of-living differences in various areas of the country make a universal minimum wage difficult to set. Obviously, \$7.15 an hour isn't enough to support a person who lives in the cities of New York, Washington, or Los Angeles. However, it may be more than enough to support people living in rural areas or small towns. What is it real estate agents always say about real estate values? Location, location, location. That is why a 1-bedroom rundown apartment in the city may cost 5 times as much as a well-kept 3-bedroom apartment in a small town. And of course, housing is only a small part of the cost of living. Consider how much more gas costs for a commuter than it does for a small town worker who can walk to work. The list goes on. Thus, a \$7 minimum wage may be more reasonable in New York, but it would be ridiculously high in certain small town and rural areas.
- Elimination of the minimum wage would mean more citizens and fewer illegals would be hired for low-pay hourly jobs, leading to greater tax revenues and less incentive for illegal immigration. There are several low-paying jobs such as housekeeper and nanny that are often filled by illegal immigrants. The employer doesn't want to pay a citizen the higher rate along with required employer payroll taxes, so they hire someone off the books, e.g. at \$5 per hour. For such a position, there are no federal, state, or social security taxes withheld. Thus, overall tax revenues for the country are reduced. If you eliminate the minimum wage, you therefore increase revenues. Also, with fewer jobs available for illegals, there is less incentive to break the law and come to the country in the first place.

- The minimum wage creates a competitive advantage for foreign companies, providing yet another obstacle in the ability of American companies to compete globally. The U.S. trade deficit increases every year, which means we're exporting less than we're importing. In an increasingly global economy, it's important to give American companies every chance to turn out the cheapest and best products. A minimum wage only applies to workers in the United States; foreign companies can pay what they want. There are two direct components that go into the price & quality of a product -- raw material and labor. Thus, when you set a minimum cost level for the labor component, you cause a competitive disadvantage in two ways. First, the cost per hour of direct labor potentially goes up. Second, in some cases, you force companies to hire fewer workers, which may affect the quality of the final output. Add it all up and American companies must work harder to compete with foreign companies, which in the long run costs us jobs, profits, and prestige while damaging the reputation of American products. One of the reasons we have such a major trade deficit (where outflows of goods & services exceeds inflows) is the competitive disadvantages to business such as the minimum wage.
- The minimum wage law is just another example of government condescendingly controlling our actions and destroying personal choice. Citizens do have the ability to say no to a lower wage. Why is it that politicians continue to insist that we're too stupid to take personal responsibility for our own lives? If someone offers us \$1 per hour to wash dishes, my guess is that 99.9 percent of us would emphatically say no. But for some reason, politicians think we need a law to say businesses can't even make that offer. Has there ever been a time in your life where you thought, "I'd do that job for free!". Maybe that job is Playboy photographer or it's practice assistant for the Green Bay Packers. Maybe it's a job you know would look great on a resume but can't get because you lack experience. Personal choice and freedom is what this country is supposed to be built on, so why should we do anything to limit that?

## No

- Adults who currently work for minimum wage are likely to lose jobs to teenagers who will work for much less. Many adults trying to make a living are forced to work minimum wage jobs. If you take away the government-mandated minimum wage, companies will often be able to hire teenagers for a fraction of the price. A business isn't going to pay \$5.15 or \$7 to an adult factory worker when it can pay \$3.50 to a high school student who likely can do the job just as well. Remember that minimum wage jobs usually require little or no training, so it won't be that hard to replace those workers who are displaced. The end result of a minimum wage abolishment is

that teenagers, who often are only looking for supplemental income to pay for cars, parties, etc. take work away from those who are trying to pay the rent or support a family.

- Workers need a minimum amount of income from their work to survive and pay the bills. Someone working 40 hours per week at \$7.15 an hour will make about \$1000 per month after taxes. Rent alone can take almost the whole paycheck, especially in high-cost areas of the country like New York and Los Angeles (some states have higher minimum wages than the federal one specifically for this reason). Then, you add in utilities, food, insurance, car payments, credit cards, and on and on. How can a person possibly survive on less? Businesses can better afford the money than citizens scratching to make ends meet.
- Businesses have more power to abuse the labor market. History shows that businesses left unchecked will abuse their power. Why do you think labor organizations like the Teamsters, United Auto Workers, AFL-CIO, etc. have come into existence? A tight job market, especially during recessions, give citizens the choice of accepting the terms of business or starving. A minimum wage gives business a reasonable floor that should be paid for the labor of others, whether skilled or unskilled.
- It forces businesses to share some of the vast wealth with the people that help produce it. American businesses take in trillions of dollars every year. Is it too much to ask that they share a pittance of it with the people responsible to bringing it to them? We've all read or heard stories of executives with multi-million dollar bonuses, even with companies that lose money. A few dollars extra per hour for the poorest of the poor shouldn't hurt that much.

## **Video of Milton Friedman on minimum wedge**

[http://www.youtube.com/watch?v=ca8Z\\_o52sk](http://www.youtube.com/watch?v=ca8Z_o52sk)

## **Lecture on minimum wage**

<http://www.youtube.com/watch?v=zMMN3UIQmEk>

## **Question to think about?**

1. What do you think about the minimum wage policy of the government, Does it really help the workers?
2. What do you think about the conflict between labor unions and businessmen?
3. Do u think the government should seal the salary of CEO?