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There's No Free Lunch With Minimum Wages

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Andy Puzder (“[Killing the Working Class at Wal-Mart](#),” op-ed, Feb. 5) tells us that Wal-Mart “voluntarily raised its base wage to \$9 an hour” last year, and plans to raise it to \$10 this year. Those increases, he claims, are harming the bottom line in terms of earnings per share and forcing Wal-Mart to close stores. No profit-maximizing firm would voluntarily increase wage rates without a prior increase in the value of labor’s marginal product. In this case, competition would increase base wage rates and create more jobs. The author recognizes this truth when he states, “Jobs, salaries and benefits increase when businesses thrive.”

However, if Wal-Mart is increasing wages in anticipation of a higher minimum wage, without any corresponding increase in the value of labor’s marginal product, jobs will be lost. There is no free lunch from an actual or expected minimum-wage hike, which is a coercive tool of the state, not a consensual market transaction.

James A. Dorn

Cato Institute

Washington

James A. Dorn is vice president for monetary studies, editor of the [Cato Journal](#), senior fellow, and director of Cato’s annual monetary conference.