

FOURTH ESTATE

Senator's wage claim is outrageous

By: Tyler Smith – April 3, 2013

The fact that President Barack Obama wants to raise minimum wage to \$9 an hour has been talked about over and over again in the news, but now the question has been raised as to whether it should be raised even more than that.

According to Huffington Post writer Nick Wing, Democratic Senator Elizabeth Warren not only defended raising the minimum wage, but also brought up the bold claims of a study titled “The Minimum Wage is Too Damn Low,” by John Schmitt of the Center for Economic and Policy Research.

The wages of 2012 would be approximately \$21.72 an hour if minimum wage had increased with productivity since 1968, he said.

“By all of the most commonly used benchmarks — inflation, average wages and productivity — the minimum wage is now far below its historical level,” Schmitt said. I find this type of claim very thought-provoking but only that. If a proposed hike of \$1.25 an hour has raised controversy and anger, then anything higher than that would be too absurd.

Surely UW-Green Bay students and other part-time workers would love to be paid \$21.72 an hour, but the practicality of implementing it would be impossible in this nation at this time. In fact, I have to wonder if I will even see this high of a starting wage in my own lifetime.

However, one might mistake that Warren is pushing for these wages. Warren pressed economics professor Dr. Arindrajit Dube on this matter at a Senate Committee hearing. “So my question is, Mr. Dube, with a minimum wage of \$7.25 an hour, what happened to the other \$14.75?” Senator Warren asked.

According to Wing, however, Warren shifted her focus to a more reasonable proposal and continued to argue that an increase to more than \$10 an hour was feasible over a two-year period and businesses wouldn't see as much damage as previously claimed.

I have no issue with raising minimum wage to \$9 an hour, but I do think it should be done in incremental steps. Increasing to \$10 an hour would probably be smoother over a three or four year period.

However, small businesses are still forced to cut jobs and hire less when pushed to raise employee pay. Raising the amount workers make in this field will not eliminate poverty. “There is no free lunch when the government mandates a minimum wage,” Cato Institute writer Mark Wilson said.

According to Wilson, approximately 49 percent of the employees paid \$7.25 an hour in

2010 were 24 years old or younger. The other 51 percent were considered in poverty, with almost half of these employees working part time.

Statistics such as these have been used against the cries for raising minimum wage, citing it may not even help poverty levels, and job availability could plunge instead. Raising the value a few cents to a dollar alone isn't enough to hurt employment rates. According to the U.S. Department of Labor's Bureau of Labor Statistics, four of the highest years for unemployment were 1982, 1983, 2009 and 2010. The Labor Bureau states these years had unemployment rates of about 9.6 percent. The U.S. Department of Labor said wages rose from \$3.10 to \$3.35 in 1981 and from \$6.55 to \$7.25 in 2009.

However, the Labor Bureau shows for every rise in unemployment rates, there is generally a sharp drop right after. So while a rise in minimum wage could be linked to a rise in unemployment, the unemployment rate eventually steadies itself out anyway. In my opinion, this makes those scary claims of jobs disappearing look less daunting.

Regardless of the continuing arguments, wages have to increase eventually. It doesn't matter if this occurs in as much as five to 10 years. The minimum wage cannot stay the same value forever. Unemployment is going to happen, and over time, employment will rise again. Nobody is going to raise the minimum wage by \$14. Such a thing would be crazy and yes, you bet, jobs would disappear rapidly.

However, I would still like to see a follow-up to Schmitt's study. I want to know what kind of economy we would live in today if in some alternate history we had a minimum wage slowly increase to \$22 an hour in America. I want to know what the cost of living would look like.

Warren isn't crazy. If she stirred the pot enough to get more debate fueled for rising wages, then she did her job well.