

VIEWPOINT

Triad Business Journal welcomes letters to the editor

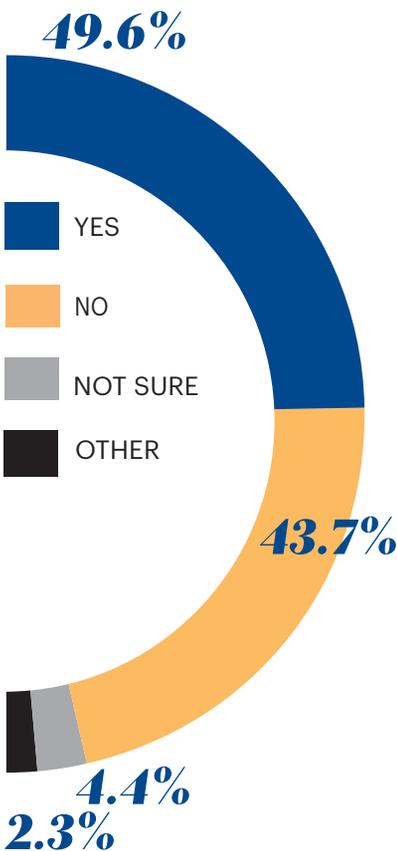
Send letters to Triad Business Journal
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► BUSINESS PULSE SURVEY

WE ASKED

SHOULD THE U.S. POSTAL SERVICE END DOOR-TO-DOOR MAIL DELIVERY IN FAVOR OF CURBSIDE BOXES ONLY?

BASED ON 341 TOTAL RESPONSES



THIS WEEK'S QUESTION

WAS THE N.C. GENERAL ASSEMBLY RIGHT TO ABOLISH BUSINESS PRIVILEGE-LICENSE FEES?

POINT OF VIEW

Debunking bad arguments against raising minimum wage

A bill to increase the federal minimum wage to \$10.10 per hour died in Congress a few weeks ago, and it's unlikely that the current General Assembly will support an increase in North Carolina. But the public supports an increase, so it seems premature to declare the issue dead. Arguments against an increase continue to float around the media. Are any of them persuasive?

Job losses? By far and away the most frequent objection is that a raise to \$10.10 would be a job killer. Based on a report by the Congressional Budget Office that summarized economic research on the minimum wage, that's a distinct possibility. That report estimated a loss of 500,000 jobs.

However, the report also found a great deal of uncertainty about that estimate and placed it at the center of an interval from nearly zero up to about 1 million. So when business groups say that an increase to \$10.10 would cause "up to" a million lost jobs, they're not wrong. But it's equally correct to say that it could cause no job losses whatsoever.

In addition, the CBO report projected that the increase would lift 900,000 people out of poverty and give 16.5 million people a raise. Nearly all policies come at a cost, but the benefit-cost ratio of a minimum-wage increase looks pretty good. This is why, as I noted in a previous column, the economics profession increasingly supports the minimum



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wage after decades of opposition.

More job losses? Another argument is that an increase would lead to unemployment in other occupations as employers struggle to cover the higher cost of minimum-wage workers.

That might make some sense in the economist's dream world of "perfect competition," in which employers have little or no ability to price their own products. But in the real world, the much more likely outcome is a combination of slightly higher prices for consumers and slightly lower profits for employers. Large employers would be especially likely to eat part of the increase, given that corporate profits are at an all-time high.

Not a panacea? Others have argued against a minimum-wage increase because it won't make a big dent in our poverty problem. By one estimate, 45 million Americans live in poverty, and

the CBO report projects that raising the minimum wage to \$10.10 will reduce that by fewer than a million.

That's a clever argument, but it's the wrong standard. The correct criterion isn't whether a policy solves the entire problem, but whether the benefits exceed the costs. The CBO report implies that a raise to \$10.10 meets that test.

Poorly targeted? Some have claimed that minimum-wage workers don't deserve higher wages because they tend to be "secondary earners," for example teenagers in middle-class families. However, research by the Economic Policy Institute shows that most workers affected by an increase to \$10.10 (either directly or indirectly) are in families with incomes below the median, and that on average, such workers account for half of their families' income.

Not the right time? Some say we shouldn't increase the minimum wage in a depressed economy, but that's a dubious concern. A higher minimum wage would effectively redistribute income to low-wage workers, who spend nearly everything they receive. The stimulus would be small: the EPI study projects increased economic growth of about a tenth of a percent over the next two years. But an increase wouldn't hurt the economy.

All in all, it's hard to find a good argument against raising the minimum wage.

► GAINERS & LOSERS



FILE PHOTO



KRISPY KREME STOCK

Winston-Salem-based doughnut company's stock not "Hot Now." It plunged this week after the company revised its financial forecast downward.



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With 336 filling up, Triad may get a new area code that could require 10-digit dialing on all local calls.



MORINAGA & CO.



CANDY MAKING

Construction starts on 100,000-square-foot candy plant in Mebane, not far from Tanger Outlets. Morinaga America Foods, a subsidiary of Japan's largest candy company, plans to open next June and employ 100.



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TRIAD MANUFACTURING

Region not selected for a federal initiative that would have given it a leg up for a share of \$1.3 billion earmarked for reviving manufacturing base.