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## Opinion: Common ground on the minimum-wage debate

Friday, October 13, 2006

David Nicklaus ~ St. Louis Post-Dispatch

Thanks, readers, for helping make my point about the minimum-wage debate.

Last week, I wrote that too many people approach the issue on an emotional level, not a rational one. Then I cited a study by economist David Neumark, who said a higher minimum wage would hurt poor people because employers would cut back on hiring.

My inbox filled quickly with invective. "Sadly, you would have been right at home as a Robber Baron," wrote Bruce. "It seems as if Republicans (big business) will only know true happiness when the hourly workers in this country earn about 15 cents an hour with absolutely no benefits," wrote Scott.

"Please!" an anonymous reader chimed in. "Adults on minimum wage are a step above slavery."

Is that what the debate is about? Do Missourians think that raising the minimum wage to \$6.50 an hour from \$5.15 is a fight against slavery, robber barons and the evils of big business? If so, both democracy and capitalism are in big trouble.

For those of us who want to conduct the debate on a higher plane, there is still hope. The Show-Me Institute, which sponsored Neumark's analysis, issued a second study this week estimating that 18,500 Missourians would lose their jobs if the minimum-wage increase passes. It also asserts that the increase "would have a limited impact on poverty," because most minimum-wage workers don't come from poor households.

The average low-wage worker, in fact, lives in a household with an income of \$57,000 a year. The study, written by economists Kenneth Troske and Aaron Yelowitz of the University of Kentucky, points out that poverty is a problem of too few hours worked, not low wages. The average poor worker earns \$9.58 an hour, but works 40 percent fewer hours than a typical adult.

Raising the minimum wage would cause employers to cut hours even more. That's the law of demand, the most basic of economic principles: If you raise the price of something (labor in this case), people buy less of it.

Troske and Yelowitz aren't just naysayers. If Missouri is serious about fighting poverty, they propose, it should adopt a state version of the earned income tax credit. Illinois and 13 other states already piggyback on a federal credit given to families who earn less than \$36,348 annually.

By raising take-home pay, the credit increases the incentive to work. And, Troske and Yelowitz write, "instead of providing a wage subsidy for relatively wealthy teen-agers, the EITC is directly targeted at workers in poor households." To be fair, the other side also has published some studies. The Economic Policy Institute, a leading proponent of minimum-wage increases, plans to weigh in today with a statement from several prominent economists.

Proponents point out that the federal minimum wage hasn't been raised in nine years, and they contend that past increases didn't do any harm. Tom Kruckemeyer, chief economist of the Missouri Budget Project, tells me that "obviously, the (1997) increase in the minimum wage did not stymie economic activity between 1997 and 2001." True, but that's a weak argument. Just because the minimum wage didn't kill enough jobs to counteract the Internet revolution, or the job-creating effects of welfare reform, doesn't make it a sound policy.



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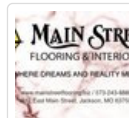
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Here's my biggest cause for optimism: Kruckemeyer favors a higher minimum wage, but he also backs one Show-Me Institute conclusion: "I agree, if your goal is fighting poverty, then the direct use of something like the earned income tax credit is a far better tool." There's some common ground. Now, let's build on it.

David Nicklaus is a business columnist for the St. Louis Post-Dispatch.

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