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Debate: Minimum Wage

1. Focus Have students find the meaning of each of these words before they begin to read: *cost of living, exploiting, leeway, living standards, productivity,* and *stagnating.*

Explain to students that they will be conducting a debate on the minimum wage and its impact on the price of labor. Inform them that they will be responsible for arguing one side of the issue. Remind students that a well-prepared debater supports a position with valid evidence, logical arguments, and responsible appeals to emotion.

2. Instruct The authors have both researched the impact of the minimum wage on the cost of labor. Have students conduct further research on the minimum wage from credible sources before conducting the debate.

Remind students that they should use the following debate format:
The affirmative side will:
- State the problem to be solved. Why is this problem significant?
- Explain who or what is harmed if this problem is not resolved. Use factual evidence to quantify the harm.
- Propose a plan of action. Explain why it is better than the current system.
- Provide factual evidence to show how this plan will solve the problem.

The opposing side will:
- Refute the arguments of the affirmative side, using factual evidence to quantify and support its position.
- If necessary, support the status quo's ability to solve the problem.

3. Close/Reteach When the debate is concluded, encourage students to discuss their opinions on the issue. Ask them whether they were persuaded by the other side's arguments. Conclude by having students write their own statements supporting or opposing a legally mandated and enforced minimum wage.

Debate Activity
Debating Current Issues folder, p. 11 asks students to evaluate how higher labor costs can affect the employability of workers. In a market economy who is helped and who is hurt by paying higher wages to workers?

Economic Assessment Rubric
Economics Assessment Rubrics folder, pp. 14–15 provides sample evaluation materials for participation in debates.

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Debating Current Issues: *Minimum Wage*

In the U.S., the federal minimum wage is $5.15 an hour. In this debate from *The Wall Street Journal Classroom Edition,* Kevin A. Hassett, director of economic policy studies at the American Enterprise Institute for Public Policy Research, and Jeff Chapman, a policy analyst with the Economic Policy Institute, argue whether the minimum wage should be raised—or abolished.

YES *Should the Minimum Wage Be Raised?*

By Jeff Chapman

The minimum wage is a simple, fair policy with broad public support that protects workers from exploitation and increases the ability of working families to make ends meet. Despite the effectiveness of the minimum wage, the federal government has failed to raise the minimum wage regularly to account for the rising cost of living.

A strong minimum wage provides income to families who need it the most. More than one-third of families with workers who would benefit from an increase in the minimum wage rely solely on the earnings of those workers. The result of the declining value of the minimum wage has been stagnating or even falling wages.

A class in beginning economics teaches that market forces set wages and prices very efficiently. But low-wage workers don't have the option of not working if employers aren't willing to pay enough to match the market equilibrium. They have to work to survive, while employers have considerable leeway in setting wages, especially for low-wage workers. Thus, without a high enough minimum, employers will often set wages below the actual value of the work and in violation of basic fairness.

Some have claimed that the minimum wage is unfair because it prevents some willing laborers from working for less than the minimum wage. In fact, the minimum wage only prevents low-wage employers from exploiting the fact that many workers do not have the market power required to negotiate a fair wage.

Another frequent claim by opponents of the minimum wage is that it will cause workers to lose their jobs, because it increases the employer's costs. But since employers are often paying a wage that is less than the labor is worth to them, the minimum wage does not cause employers to lay off workers. For instance, if an hour's labor is worth $8 to the employer, but he can get a worker to work for $3, that worker will still be employed if the minimum wage was set at $6.

Years of research has shown that the minimum wage does exactly what it is intended to do. It corrects an imbalance of power and raises the living standards of working families.

According to proponents of a minimum wage hike, people with few job skills would benefit most from an increase.

Background

About the Authors

Kevin A. Hassett, director of economic policy studies at the American Enterprise Institute for Public Policy Research, is opposed to raising the minimum wage and further argues that the law should be abolished. Jeff Chapman, a policy analyst with the Economic Policy Institute in Washington, D.C., researches minimum-wage laws and assists state and local organizations working on living-standards issues.

NO Should the Minimum Wage Be Raised?

BY KEVIN A. HASSETT

The minimum wage is a terrible and counterproductive policy. While it may appear that the minimum wage helps the poor, it does not.

The case against the minimum wage is based on simple economics and mounds of scientific evidence. Suppose that you run a small factory that makes hammers. You employ a large number of minimum-wage workers, and sell your product around the world. If the minimum wage is increased, then your costs increase. In response to this increase, you will have to raise the price that you charge for your product. Since your price for hammers is now higher, other manufacturers in states or countries that have not raised their minimum wages find that their hammers are suddenly cheaper than yours. Their sales go up, and yours go down. With sales down, you are forced to lay off workers.

This scenario describes the cycle that has been observed by economists who study minimum wages. While some minimum-wage workers receive higher pay, others lose their jobs entirely, and the number of people living in poverty likely increases.

The minimum wage denies individuals opportunities they may desire. Think of it this way: If you asked your parents to allow you to take a summer job and they replied that you could, but only if you found a job that paid you at least $15 an hour, you might think that their requirement is unfair. They are not allowing you to decide to work for someone unless you find an employer willing to pay you a salary that they think is fair. Shouldn't you get to make up your own mind about that? The same is true when the government sets high minimum wages. By doing so, government takes away opportunity, especially for disabled individuals and first-time workers.

Some people have expressed concern that employers may set wages unfairly low. But in a competitive marketplace, employers must compete to attract workers. Those who pay wages that are too low will lose workers and business to employers that pay wages based on the productivity of the individuals they hire.

Value of the Minimum Wage, 1980–2004

Year	Nominal Dollars*	1996 Dollars**
1980	3.10	5.90
1982	3.35	5.45
1984	3.35	5.06
1986	3.35	4.80
1988	3.35	4.44
1990	3.80	4.56
1992	4.25	4.75
1994	4.25	4.50
1996	4.75	4.75
1998	5.15	4.96
2000	5.15	4.69
2002	5.15	4.49
2004	5.15	4.28

* Face-value dollars ** Dollars adjusted for inflation
Source: Bureau of Labor Statistics

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Even though the minimum wage has risen, its value has not increased because of inflation.

DEBATING THE ISSUE

1. Why does Jeff Chapman think market forces alone can't set the price for labor effectively?
2. What evidence does Kevin Hassett offer to prove that minimum wage increases affect unemployment? Would you agree that the minimum wage denies workers the opportunity to earn a living?
3. **Critical Thinking** Based on this debate, what role do you think government should have in ensuring that workers earn a "living wage"?
4. **Drawing Conclusions** Explain why you agree or disagree with Hassett: "While it may appear that the minimum wage helps the poor, it does not."
5. **Reading Graphs** Between 1980 and 2004, how much has the minimum wage increased in nominal dollars? What is the percentage increase between 1980 and 2004 in nominal dollars?

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Interdisciplinary Connections: History

Minimum Wage Since the federal minimum wage went into effect in 1938, some changes or amendments have been made which have extended the law's coverage to additional employees. 1961 amendments greatly expanded the FLSA's scope in the retail trade sector and increased the minimum. 1966 amendments extended coverage to public schools, nursing homes, laundries, the entire construction industry, and large farms.

In addition to increasing the minimum wage to $4.75 an hour, the 1996 amendments established a youth sub-minimum wage of $4.25 an hour for newly hired employees under age 20 during their first 90 consecutive calendar days after being hired by their employer.

Making the Connection Have students research additional changes to the minimum wage since its inception. For a complete history of changes in federal minimum wage rates, go to **PHSchool.com. Web Code:** mne-3091.

Differentiated Instruction L3

Some states have minimum wage laws: Workers receive whichever is higher, the state or the federal rate. Have students research minimum-wage laws in their state. Ask them to find out how their state compares with the federal rate. If the state rate is higher than the federal rate, ask them to give a possible explanation for this situation. How does a minimum-wage law affect the unemployment rate, costs of housing and cost of living? For state information, go to PHSchool.com and use **Web Code:** mne-3092.

Go Online PHSchool.com Students can find additional links related to the debate by visiting the *Economics: Principles in Action* site at **PHSchool.com.**

Answers to . . .

1. Low-wage workers don't have the option of not working if employers aren't willing to pay enough.
2. The 1923 case of *Adkins* v. *Children's Hospital* cites evidence that after the city had increased its minimum wage for nurses, the employer, Children's Hospital, had to reduce the number of nurses it employed; answers will vary.
3. Answers will vary.
4. Students should examine the concepts of equilibrium wage, labor supply, and labor demand in their explanation. Supporters of the minimum wage argue that labor markets aren't competitive and the supply and demand model can't explain the effects of an increase in the minimum wage on employment. Opponents would argue that higher wages set by government result in a decrease in the quantity of workers demanded. With a higher wage, employers may substitute machines or foreign labor, and some small businesses may shut down.
5. The minimum wage has increased by $2.05, which is an increase of 66 percent.