

Gerard, Jennie

From: Kernighan, Pat
Sent: Monday, April 14, 2014 5:46 PM
To: Gerard, Jennie
Subject: FW: "DISCOUNT" effect stabilizes minimum wage employment

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From: Denis Drew [<mailto:ddrew2u@sbcglobal.net>]
Sent: Wednesday, February 26, 2014 9:52 AM
To: Kernighan, Pat
Subject: "DISCOUNT" effect stabilizes minimum wage employment

On the bottom end of the wage scale we may find a "DISCOUNT wage effect": wherein weak bargaining power leaves wages below -- in the American labor market probably far below -- what consumers would have been willing to pay: meaning that today's consumers are getting a -- probably hugely serious -- bargain.

On the other end of the wage scale we may find examples of a "PREMIUM wage effect": where consumers are pressured by market conditions to pay much more than the seller would have been willing to accept had there been sufficient competition or whatever: meaning consumers are getting a -- possibly hugely serious -- skinning.

If a deeply discounted minimum wage is raised to a still deeply discounted level -- in Obama's case ...

... nearly a dollar below LBJ's 1968 minimum wage ...
... almost double the per capita income later (!) ...
... (dragged out over three years; agh!!!) ...

... I think consumers are much more likely to drop some spending on premium wage products (where they are still being skinned) to continue purchasing DISCOUNTED wage products -- which are still very much comparative bargains.

All these fancy words mean that we do not buy more ice cream cones and jeans just because the minimum wage is too low -- neither are we likely to buy less of same should the wage go up within reason: we are likely to spend less at Nordstrom's so we can

maintain our level at Target.

Even if today's \$7.25 federal minimum were doubled to \$15, consumers still end up paying only as much as they would probably have been willing to pay all along – leaving minimum wage products still a COMPARATIVE bargain against PREMIUM wage made products.

Never forget – seems de rigueur for all to forget – that labor costs represent only a small fraction of ultimate price tag – as low as 7% with Wal-Mart – even if sales drop a bit, poverty incomes can soar – everybody seems to serially forget this.

When I was a gypsy cab driver in the Bronx, back in the late 1970s, the city's yellow cabs raised their meters and we raised ours in step. Most drivers agreed this did not hurt business. I also heard from veteran drivers that the previous meter raise did cost business (I was new – having finally gotten my driver's license at age 32).

In any market, selling anything, you never know for sure what the customer will pay until you test. Does this chart below look like the federal minimum wage has been much tested OVER MULTIPLE GENERATIONS!!!?

“Dbl-index” is for inflation and per capita income.

yr..per capita...real...nominal...dbl-index...%-of

68...	15,473....	10.74..	(1.60).....	10.74.....	100%
69-70-71-72-73					
74...	18,284....	9.43...	(2.00).....	12.61	
75...	18,313....	9.08...	(2.10).....	12.61	
76...	18,945....	9.40...	(2.30).....	13.04.....	72%
77					
78...	20,422....	9.45...	(2.65).....	14.11	
79...	20,696....	9.29...	(2.90).....	14.32	
80...	20,236....	8.75...	(3.10).....	14.00	
81...	20,112....	8.57...	(3.35).....	13.89.....	62%
82-83-84-85-86-87-88-89					
90...	24,000....	6.76...	(3.80).....	16.56	
91...	23,540....	7.26...	(4.25).....	16.24.....	44%
92-93-94-95					
96...	25,887....	7.04...	(4.75).....	17.85	
97...	26,884....	7.46...	(5.15).....	19.02.....	39%
98-99-00-01-02-03-04-05-06					
07...	29,075....	6.56...	(5.85).....	20.09	
08...	28,166....	7.07...	(6.55).....	19.45	
09...	27,819....	7.86...	(7.25).....	19.42.....	40%
10-11-12					
13...	29,209....	7.25...	(7.25).....	20.20?.....	36%?

* * * * *

I almost forgot: ... :-) ...

There is a growing consensus is that the economy may be permanently slowing down (economists dub this "secular stagnation" as opposed to "cyclical"). Progressives see DEMAND -- and therefore EMPLOYMENT -- stalled because of too much income squeezed out of the pockets of Americans who spend a lot more than save ...

... meaning that raising the minimum wage – doubling it if we want any noticeable effect on the economy or poverty; not, not quite catching up with 1968 -- should be a sure fire way to bring down unemployment.

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www.ontodayspage.blogspot.com