NATIONAL TAXPAYERS UNION

February 17, 2021

Statement for the Record
On behalf of: **National Taxpayers Union**
Before the: **Senate Committee on Banking, Housing, and Urban Affairs**

The Honorable Sherrod Brown
Chairman
Senate Committee on Banking, Housing, and Urban Affairs
Washington, D.C. 20510

The Honorable Patrick Toomey
Ranking Member
Senate Committee on Banking, Housing, and Urban Affairs
Washington, D.C. 20510

Dear Chairman Brown, Ranking Member Toomey, and Members of the Committee,

On behalf of the National Taxpayers Union, the nation's oldest taxpayer advocacy organization, I write to express our views regarding the upcoming hearing titled "The Coronavirus Crisis: Paving the Way to An Equitable Recovery." While we appreciate the Committee's attention to this critical matter, we have concerns about certain policies, such as the $15 minimum wage, that could prolong this difficult period for many workers and small business owners.

The Coronavirus pandemic is the most significant public health crisis the United States has faced in more than one hundred years. As the title of the hearing suggests, you will be exploring ways to achieve equal outcomes for the economy as we begin to recover from the pandemic. In our view, the best and only option to achieve an equitable recovery is to allow businesses and schools to open safely, and get people back to work. In order for that to occur, the federal government, in conjunction with private market actors, must deliver vaccinations into the arms of people as quickly as possible. Once our country reaches herd immunity, Americans can get back to the lives they were living before the pandemic occurred. That means engaging in commercial and economic activities that enable our small businesses and job creators to thrive and succeed.

Since the pandemic began in March 2020, the federal government has taken a leading role in providing relief to struggling people, businesses, renters, and state and local governments. Over the course of four different relief packages, Congress has spent trillions of dollars to help shore up those adversely affected. Despite being known for our opposition to spending money that increases the deficit, NTU was proud to support most of the federal government's actions during this crisis.

However, lawmakers are currently in the process of rushing through a partisan pandemic stimulus package - a significant departure from previous packages that garnered overwhelming bipartisan support. The so-called

"American Rescue Plan" is a $1.9 trillion package stuffed with bailouts and spending unrelated to the pandemic that fails to adequately target those most affected by the pandemic. NTU has made it clear through multiple Vote Alerts and Committee Markup Memos that we oppose the package soon to be on the House floor in its current form.

One core tenet of the American Rescue Plan that some believe will be able to lead to an "equitable recovery" is a $15 minimum wage. Under this plan, the minimum wage would gradually increase from the current rate of $7.25 to $15 over the course of four years. While NTU supports efforts to increase wages for low-income workers, a government-mandated $15 wage floor could be extremely disastrous for millions of small business owners and even workers. The only "equitable" thing about a $15 minimum wage will be the level of poverty that will result should this wage go into effect.

Economists generally agree on very few things, but 74 percent in a recent survey opposed a $15 hourly federal minimum wage. According to the Congressional Budget Office, raising the minimum wage to $15 per hour would result in 900,000 Americans being lifted out of poverty but would also result in 1.4 million Americans losing their jobs. In our view, that is hardly an "equitable" trade.

Numerous studies confirm the trend of negative economic consequences associated with minimum wage increases. At a micro level, when Seattle sharply increased its minimum wage, the University of Washington found the number of hours worked in low-wage jobs decreased by nine percent, costing workers approximately $125 per month. Faced with rising labor costs, employers were forced to cut hours and seek out alternatives, such as automation, to compensate for the increased wages. Further, a 2017 Harvard University study found that higher minimum wages in California's Bay Area have resulted in an increase in overall restaurant closures.

Additionally, such a significant wage floor ignores the cost of living differences between the different regions of our country. A minimum wage of $15 an hour may be more feasible in a city with a high cost of living, but in rural areas a minimum wage at that level would force small businesses into layoffs and shutdowns. Setting the minimum wage for the entire country based on the economic circumstances of the most expensive places to live in the United States is profoundly unequal.

Attempts to apply a one-size-fits-all starting wage across the country, including rural counties and less affluent neighborhoods in big cities, will disproportionately hit these communities harder.

Further, government-mandated price controls never seem to work and often have adverse impacts. One unintended effect of higher labor costs is the incentive for some larger businesses, like fast food chains or grocery stores, to automate some jobs currently held by actual workers. For these types of businesses, which usually have greater access to capital, it may make more sense to invest in self checkouts or automated cashier kiosks. Unfortunately, small businesses typically do not have the same level of capital to invest in automation. That means higher wages will balloon labor costs, forcing many "mom and pop" shops to lay off employees, slash workers' hours, delay hiring additional workers, raise prices on consumers, or close their doors for good. As we've seen in other states these aren't just theoretical arguments, but an economic reality.

A better approach to boosting wages is to double down on successful efforts to get government out of the way – mainly through tax reforms and deregulation. As we saw with the 2017 reform law, businesses will pass along their savings to workers, either by providing bonuses, raising wages, or hiring new workers. Allowing businesses to keep more of what they earn will allow them to put more money into workers' pockets – and competition for workers will raise wages more than government mandates ever could. Less government, not more, will lead to greater prosperity for all workers regardless of income and skill levels.

Thank you for holding this hearing and your consideration of our views. We are not yet through the challenges COVID-19 presents to the public and to the economy, but a fiscally responsible approach that utilizes existing resources and prudently reforms the manner in which they can be spent would be best for all taxpayers - both in the present and in the future.

Sincerely,

Thomas Aiello
Policy and Government Affairs Manager