National Taxpayers Union

January 10, 2006

An Open Letter to the Maryland Legislature: Support Governor Ehrlich's Vetoes of S.B. 790 and H.B. 1284, the So-Called Wal-Mart Bills, and the Minimum Wage Increase (H.B. 391)

Dear Legislator:

On behalf of the approximately 6,700 members of the National Taxpayers Union (NTU) in the state of Maryland, I urge you to vote to uphold Governor Ehrlich's vetoes of both the so-called Wal-Mart bills and the minimum wage increase that were passed during last year's legislative session.

Contrary to the wishful thinking of those backing legislation that would raise Maryland's minimum wage and force large employers to foot a huge bill for their employees' health care, such mandates do nothing to raise the living standards of low-wage workers. Instead, it is far more likely that employers will react to higher government-imposed costs by increasing automation, getting rid of less efficient employees, or simply picking up and moving elsewhere.

Economic study after economic study has shown that minimum wages – and by extension, any increase in them – do more harm than good, particularly to the very workers they aim to protect. Not only do higher minimum wages not act to raise overall wage levels, they actually reduce total employment by making unskilled and teenage workers more expensive to hire. Worse, by raising the cost of labor to businesses, the starting wage laws raise inflation, thus sticking all consumers with an unnecessary and economically unhealthy "tax hike."

The combined effect of raising the minimum wage and forcing employers to pay a mandated level of health care costs will undoubtedly result in higher unemployment and slower economic growth in the state. That is because governments have less control over the plight of low-wage workers than some would like to believe. After all, if mandated wages and health care could really pull workers out of poverty by themselves, why stop at a wage of $6.15 per hour and why stop at forcing only large companies to pay for health care? Supporters of these bills know that the harm of small increases in mandated wages and health care costs can be hidden within the overall economic picture, but if Maryland were to mandate, say a $40,000 annual wage and health insurance for all workers, massive unemployment and economic dislocation would be the immediate result.

Instead of meddling in the everyday decisions of employers and workers, the best thing Maryland's elected leaders can do is to create a friendly environment for economic growth that will make hiring workers as attractive as possible. This can be done by reducing marginal tax rates and reducing the economic burden of unnecessary rules and regulations.

Sincerely,

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