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Prices Versus Wages: A False Dichotomy

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Your editorial on Chicago's recently passed living wage ordinance for retail workers ("The Red Lining of Chicago," Review & Outlook, July 31), suggests that Americans must choose between low prices and decent wages. That's a false choice. Cities such as Santa Fe and San Francisco, which have raised their local minimum wages to $9.50 and $8.82 respectively, have found that large retailers like Wal-Mart, Target, Sam's Club and Toys "R" Us have adjusted, and are still offering consumers low prices.

Contrary to your editorial's claims, a study by the University of New Mexico found that Santa Fe's wage ordinance has "had no discernible impact on employment per firm, and that Santa Fe actually did better than Albuquerque" in terms of job growth even though the minimum wage in the neighboring city was just $5.15. A University of California study found that San Francisco's wage law "increased pay significantly" and resulted in neither "increased rate of business closure nor employment loss."

These studies were based on actual wage and employment data from the businesses impacted by the laws. The study you cite by the restaurant-industry-funded Employment Policies Institute used a far less reliable approach. It attempts to discern changes in the local labor market from a national survey of individuals which contains only a very limited number of responses from the region -- let alone from affected workers.

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