Testimony from Morris Pearl, Chair of Patriotic Millionaires, before PA Senate Democratic Policy Committee, January 18, 2021

Thank you Senators Muth, Haywood, Tartaglione, and Kane for inviting me to speak with you today on such an important issue as the minimum wage.

I’m an investor, and as an investor, I only make money when the businesses that I’ve invested in make money. And how do businesses make money? For the most part, they sell goods and services to consumers. 70% of our economy is based directly on consumer demand. For so long our government has focused on the business side of things and the tax side of things when trying to ensure business success that they’ve forgotten that given working people more money to spend is the best way to help business and stimulate the economy.

If the economic crisis that coronavirus has caused has taught us anything, it’s that businesses live and die based on how many people are spending money on their goods or services. With lockdowns and people afraid to go shopping or out to eat, the customer base for many Pennsylvania businesses has plummeted, devastating the state’s economy. This is obviously a very acute crisis, but there’s another, much longer-term crisis that we’ve been living in for years - a significant percentage of our population earns so little money that they’re not able to really participate in our consumer economy in any meaningful way.

40% of Americans report having problems affording at least one of their basic needs in the last year, from food to housing to healthcare. Similarly, about 40% report not being able to afford an unexpected $400 expense. Not surprisingly, about 40% of Americans earn less than $15 an hour.

How much do you think someone who can’t afford housing or food is going to be spending at their local businesses or restaurants? How much is someone who couldn’t scrape together $400 in an emergency going to be contributing to their local economy? Not as much as their neighbors who are earning enough to get buy. That’s why the minimum wage is about so much more than just helping poor workers - it’s one of the greatest long-term economic stimulus plans we have available. It’s a win-win for workers and businesses alike.

The business owners who are convinced they can’t afford to pay their workers higher wages are missing an entire half of the equation. If you own a bar, you are a lot more concerned about how much money the 50 people in the bar have in their pockets than how much you have to pay the one bartender who is serving them. Yes, expenses may go up, but so do earnings.

That’s why, contrary to popular opinion, most business executives actually favor raising the minimum wage. A leaked internal survey by the Chamber of Commerce in 2016 found that 80% of business leaders support raising the minimum wage, with only 8% opposed. These executives recognized that giving workers more money to spend at their businesses more than makes up for their increased payroll costs. I recognize that many business owners you’ll likely
hear from have serious concerns about raising the minimum wage, but those concerns are just not based in economic fact.

This isn't something we need to speculate about. We have dozens of case studies all across the country with states and localities that have raised their minimum wage without negatively impacting businesses or employment at all. Here in Pennsylvania, we've seen our immediate neighbors pass significant minimum wage increases with only positive effects. Pennsylvania shares its northern border with New York, and as New York has raised its minimum wage, we've seen virtually no difference in employment or businesses being forced to close between communities on the Pennsylvania and New York sides of the border.

The Federal Reserve Bank of New York, about as unbiased an institution as you can find, showed that as the minimum wage in New York increased, the only significant difference between those two sides was that wages in New York increased much more for low wage workers than they did in Pennsylvania. No more business closings, no drop in employment. Just higher wages.

Why should workers in New York be paid any more than workers in Pennsylvania? With a $7.25 an hour minimum wage, this state is putting its workers and its businesses at a permanent disadvantage. If the state legislature wants to help businesses and workers pull themselves out of the current economic crisis we're in, the first place to start is to put money in the hands of workers who will spend it. Thank you.