

## WHAT IS A LIVING WAGE?

By Jon Gertner

Published January 15, 2006

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### If It Happened in Baltimore, Maybe It Can Happen Anywhere

**For a few weeks in the summer of 1995, Jen Kern spent her days at a table in the Library of Congress in Washington, poring over the fine print of state constitutions from around the country. This was, at the time, a somewhat-eccentric strategy to fight poverty in America. Kern was not a high-powered lawyer or politician; she was 25 and held a low-paying, policy-related job at Acorn, the national community organization. Yet to understand why living-wage campaigns matter — where they began, what they mean and why they inspire such passion and hope — it helps to consider what Kern was doing years ago in the library, reading obscure legislation from states like Missouri and New Mexico.**

A few months earlier, she and her colleagues at Acorn witnessed an energetic grass-roots campaign in Baltimore, led by a coalition of church groups and labor unions. Workers in some of Baltimore's homeless shelters and soup kitchens had noticed something new and troubling about many of the visitors coming in for meals and shelter: they happened to have full-time jobs. In response, local religious leaders successfully persuaded the City Council to raise the base pay for city contract workers to \$6.10 an hour from \$4.25, the federal minimum at the time. The Baltimore campaign was ostensibly about money. But to those who thought about it more deeply, it was about the force of particular moral propositions: first, that work should be rewarded, and second, that no one who works full time should have to live in poverty.

So Kern and another colleague were dispatched to find out if what happened in Baltimore could be tried — and expanded — elsewhere. As she plowed through documents, Kern was unsure whether to look for a particular law or the absence of one. Really, what she was trying to do was compile a list of places in the U.S. where citizens or officials could legally mount campaigns to raise the minimum wage above the federal standard. In other words, she needed to know if anything stood in the way, like a state regulation or a court decision. What she discovered was that in many states a law more ambitious than Baltimore's — one that didn't apply to only city contractors but to all local businesses — seemed permissible.

Whether a wage campaign was winnable turned out to be a more complicated matter. In the late 90's, Kern helped Acorn in a series of attempts to raise the minimum wage in Denver and Houston, as well as the state of Missouri. They all failed. "It wasn't even close," she says. In the past few years, though, as the federal minimum wage has remained fixed at \$5.15 and the cost of living (specifically housing) has risen drastically in many regions, similar campaigns have produced so many victories (currently, 134) that Kern speaks collectively of "a widespread living-wage movement."

Santa Fe has been one of the movement's crowning achievements. This month the city's minimum wage rose to \$9.50 an hour, the highest rate in the United States. But other recent victories include San Francisco in 2003 and Nevada in 2004. And if a pending bill in Chicago is any indication, the battles over wage laws will soon evolve into campaigns to force large, private-sector businesses like Wal-Mart to provide not only higher wages but also more money for employee health care.

It is a common sentiment that economic fairness — or economic justice, as living-wage advocates phrase it — should, or must, come in a sweeping and righteous gesture from the top. From Washington, that is. But most wage campaigns arise from the bottom, from residents and low-level officials and from cities and states — from everywhere except the federal government. "I think what the living-wage movement has done in the past 11 years is incredible," David Neumark,

a frequent critic of the phenomenon who is a senior fellow at the Public Policy Institute of California, told me recently. “How many other issues are there where progressives have been this successful? I can't think of one.”

The immediate goal for living-wage strategists is to put initiatives on the ballots in several swing states this year. If their reckoning is correct, the laws should effect a financial gain for low-income workers and boost turnout for candidates who campaign for higher wages. In Florida, a ballot initiative to raise the state's minimum wage by a dollar, to \$6.15, won 71 percent of the vote in 2004, a blowout that surprised even people like Kern, who spent several weeks in Miami working on the measure. “We would like it to become a fact of political life,” Kern says, “where every year the other side has to contend with a minimum-wage law in some state.” Though victories like the one in Florida may have done little to help the Kerry-Edwards ticket — George Bush won 52 percent of the state's vote — Kern and some in the Democratic establishment have come to believe that the left, after years of electoral frustration, has finally found its ultimate moral-values issue. “This is what moves people to the polls now,” Kern insists. “This is our gay marriage.” Already, during the past few months, a coalition of grass-roots and labor organizations has begun gathering hundreds of thousands of signatures to ensure that proposed laws to increase wages are voted on in November. The first targets, Kern told me, will be Arizona, Colorado, Michigan and Ohio. Next in line, either this year or soon after, are Montana, Oklahoma and Arkansas, the home of Wal-Mart.

## Does America Care About the Gap Between Rich and Poor?

I first met Kern on a sunny morning in late September in Albuquerque, a city of 470,000 that made her list when she was working in the Library of Congress 10 years ago. She was now, at age 35, campaigning for a ballot initiative that would raise the minimum wage in the city to \$7.50 an hour from \$5.15. There was no face for the placards, no charismatic presence to rally the troops at midnight or to shake hands at dawn outside 7-Eleven. Instead, there was a number, \$7.50, a troop of campaign workers to canvass the neighborhoods and an argument: that many low-wage workers were being paid poverty wages. That a full-time job at the federal minimum rate added up to \$10,712 a year. That local businesses could afford the pay raise. And that it was up to the voters to restore balance.

One of the more intriguing questions about campaigns like the one in Albuquerque, and those planned for swing states next fall, is whether they reflect a profound sense of public alarm about the divergence between rich and poor in this country. Certainly most Americans do not support higher wages out of immediate self-interest. Probably only around 3 percent of those in the work force are actually paid \$5.15 or less an hour; most low-wage workers, including Wal-Mart employees, who generally start at between \$6.50 and \$7.50 an hour, earn more. Increasing the minimum wage to \$7.25 an hour (as proposed by Senate Democrats) would directly affect the wages of only about 7 percent of the work force. Nevertheless, pollsters have discovered that a hypothetical state ballot measure typically generates support of around 70 percent. A recent poll by the Pew Research Center actually put the support for raising the national minimum wage to \$6.45 at 86 percent. Rick Berman, a lobbyist who started the Employment Policies Institute and who is a longtime foe of living-wage laws, agrees that “the natural tendency is for people to support these things. They believe it's a free lunch.” On the other hand, the electorate's reasons for crossing party lines to endorse the measures may be due to the simple fact that at least 60 percent of Americans have at one time or another been paid the minimum wage. Voters may just know precisely what they're voting for and why.

In the mid-1990's, the last time Congress raised the minimum wage, the Clinton White House was reluctant to start a war over the federal rate, according to Robert Reich, the former labor secretary. For an administration bent on policy innovation, that would have seemed “old” Democrat. “Then we did some polling and discovered that the public is overwhelmingly in favor,” Reich told me recently. “At which point the White House gave the green light to Democrats in Congress.” Reich, now a professor at the University of California, Berkeley, happens to view the minimum wage as a somewhat inefficient tool for alleviating poverty (compared with earned income tax credits, say). But he acknowledges that it has a powerful moral and political impact, in states red as well as blue, and especially now, in an era when workers see the social contract with their employers vanishing. “They see neighbors and friends being fired for no reason by

profitable companies, executives making off like bandits while thousands of their own workers are being laid off,” Reich says. “They see health insurance drying up, employer pensions shrinking. Promises to retirees of health benefits are simply thrown overboard. The whole system has aspects that seem grossly immoral to average working people.” As Reich points out, whatever the minimum wage’s limitations may be as a policy instrument, as an idea, “it demarcates our concept of decency with regard to work.”

The idea, Reich points out, isn’t new, even if the recent fervor for it is. Massachusetts enacted a state minimum wage in 1912, several decades before the federal minimum wage of 25 cents an hour was adopted in 1938. And most of the wage ordinances of the past decade specifically trace their origins back to Baltimore in 1995. After that moment, in fact, the phrase “living wage” soon caught on — or, you might say, returned. It was a popular workers’ refrain in the late 19th century and was the title of a 1906 book by John Ryan, a Roman Catholic priest. In the late 1990’s, a loose national network of advocates sprang up, incorporating organized labor, grass-roots groups like Acorn and the Industrial Areas Foundation and, more recently, the National Council of Churches. Legal advice often came out of the Brennan Center for Justice at New York University’s law school, where a lawyer named Paul Sonn helped write wage ordinances and ballot measures for various states and cities.

By dint of its piecemeal, localized progress, the modern living-wage movement has grown without fanfare; one reason is that until recently, most of the past decade’s wage laws, like Baltimore’s, have been narrow in scope and modest in effect. Strictly speaking, a “living wage” law has typically required that any company receiving city contracts, and thus taxpayers’ money, must pay its workers a wage far above the federal minimum, usually between \$9 and \$11 an hour. These regulations often apply to employees at companies to which municipalities have outsourced tasks like garbage collection, security services and home health care. Low-wage workers in the private sector — in restaurants, hotels, retail stores or the like — have been unaffected. Their pay stays the same.

In Santa Fe, the City Council passed a similar kind of wage law in 2002, raising the hourly pay for city employees and contractors. Some officials in Santa Fe, however, had decided from the start that its wage rules should ultimately be different — that the small city (population 66,000) could even serve as a test example for the rest of the U.S. Early on, several city councilors told me, they anticipated that Santa Fe — with a high cost of living, a large community of low-paid immigrants and a liberal City Council — would eventually extend its wage floor to all local businesses, private as well as public, so that every worker in the city, no matter the industry, would make more than \$5.15. The initial numbers that the councilors considered as they began to strategize seemed stratospheric: a living wage that began at \$10 or \$12 or even \$14.50 an hour. For some laborers, that could double their incomes. Nothing remotely like it existed in any other city in the country.

## The Economists Are Surprised

In the years before the enactment of the federal minimum wage in the late 1930’s, the country’s post-Depression economy was so weak that the notion that government should leave private business to its own devices was effectively marginalized. During the past few decades, though, in the wake of a fairly robust economy, debates on raising the minimum wage have consistently resulted in a rhetorical caterwaul. While the arguments have usually been between those on the labor side, who think that the minimum wage should be raised substantially, and those on the employer side, who oppose any increase, a smaller but vocal contingent has claimed, more broadly and more philosophically, that it is in the best interest of both business and labor to let the market set wages, not the politicians. And certainly not the voters.

This last position was long underpinned by the academic consensus that a rise in the minimum wage hurts employment by interfering with the flow of supply and demand. In simplest terms, most economists accepted that when government forces businesses to pay higher wages, businesses, in turn, hire fewer employees. It is a powerful argument against the minimum wage, since it suggests that private businesses as a group, along with teenagers and low-wage employees, will be penalized by a mandatory raise.

The tenor of this debate began to change in the mid-1990's following some work done by two Princeton economists, David Card (now at the University of California, Berkeley) and Alan B. Krueger. In 1992, New Jersey increased the state minimum wage to \$5.05 an hour (applicable to both the public and the private sectors), which gave the two young professors an opportunity to study the comparative effects of that raise on fast-food restaurants and low-wage employment in New Jersey and Pennsylvania, where the minimum wage remained at the federal level of \$4.25 an hour. Card and Krueger agreed that the hypothesis that a rise in wages would destroy jobs was “one of the clearest and most widely appreciated in the field of economics.” Both told me they believed, at the start, that their work would reinforce that hypothesis. But in 1995, and again in 2000, the two academics effectively shredded the conventional wisdom. Their data demonstrated that a modest increase in wages did not appear to cause any significant harm to employment; in some cases, a rise in the minimum wage even resulted in a slight increase in employment.

Card and Krueger's conclusions have not necessarily made philosophical converts of Congress or the current administration. Attempts to raise the federal minimum wage — led by Senators Edward M. Kennedy on the left and Rick Santorum on the right — have made little headway over the past few years. And the White House went so far as to temporarily suspend the obligation of businesses with U.S. government construction contracts to pay so-called prevailing wages (that is, whatever is paid to a majority of workers in an industry in a particular area) during the rebuilding after Hurricane Katrina. David Card, who seems nothing short of disgusted by the ideological nature of the debates over the wage issue, says he feels that opinions on the minimum wage are so politically entrenched that even the most scientific studies can't change anyone's mind. “People think we're biased, partisan,” he says. And he's probably right. While Card has never advocated for or against raising the minimum wage, many who oppose wage laws have made exactly those assertions about his research. Nonetheless, in Krueger's view, he and Card changed the debate. “I'm willing to declare a partial victory,” Krueger told me. Some recent surveys of top academics show that a significant majority now agrees that a modest raise in the minimum wage does little to harm employment, he points out.

If nothing else, Card and Krueger's findings have provided persuasive data, and a degree of legitimacy, to those who maintain that raising the minimum wage, whether at the city, state or federal level, need not be toxic. The Economic Policy Institute, which endorses wage regulations, has succeeded recently in getting hundreds of respected economists — excluding Card and Krueger, however, who choose to remain outside the debate — to support raising the federal minimum to \$7 an hour. That probably would have been impossible as recently as five years ago. Even Wal-Mart's president and C.E.O., Lee Scott, recently spoke out in favor of raising the minimum wage. It wasn't altruism or economic theory or even public relations that motivated him, but a matter of bottom-line practicality. “Our current average hourly wage for workers is \$9.68,” Lee Culpepper, a Wal-Mart spokesman, told me. “So I would think raising the wage would have minimal impact on our workers. But we think it would have a beneficial effect on our customers.”

## What a Higher Minimum Wage Can Mean to Those Making It

One evening in Santa Fe, I sat down with some of the people Wal-Mart is worried about. Like Louis Alvarez, a 58-year-old cafeteria worker in the Santa Fe schools who for many years helped prepare daily meals for 700 children. For that he was paid \$6.85 an hour and brought home \$203 every two weeks. He had no disposable income — indeed, he wasn't sure what I meant by disposable income; he barely had money for rent. Statistically speaking, he was far below the poverty line, which for a family of two is about \$12,800 a year. For Alvarez, an increase in the minimum wage meant he would be able to afford to go to flea markets, he said.

I also met with Ashley Gutierrez, 20, and Adelina Reyes, 19, who have low-paying customer-service and restaurant jobs. By most estimates, 35 percent of those who make less than \$7.25 an hour in the U.S. are teenagers. A few months ago, Reyes told me, she was spending 86 hours every two weeks at two minimum-wage jobs to pay for her car and for college. Gutierrez, also in school, was working 20 hours a week at Blockbuster video for the minimum wage. People like Alvarez and Gutierrez and Reyes were the ones who spurred two city councilors in Santa Fe, Frank Montañó and Jimmie Martinez, to introduce the living-wage ordinance. “Our schools here don't do so well,” Montañó told me, explaining that he believed higher-wage jobs would let parents, who might otherwise have to work a second job, spend more time with their children. (At the same time working teenagers like Reyes would have more time with their parents.) For Santa Fe

residents who were living five or six to a room in two-bedroom adobes, Montañó said he hoped a higher minimum wage might put having their own places to live at least within the realm of possibility.

Montañó was confident — perhaps too confident, as it would turn out — that businesses would become acclimated to higher payroll costs. He has run a restaurant and a tour-bus company himself, and he knew that the tight labor market in Santa Fe had pushed up wages so that many entry-level workers were already earning more than \$8 an hour. “The business owners believe that government, especially at the local level, should not dictate to business, so to them it was a matter of principle,” Montañó says. It was to him too. “We knew that other communities were watching what we were doing,” he explains. He and his colleagues on the council were already receiving help from Paul Sonn at the Brennan Center in New York. “I knew that their involvement meant that they saw this as something that was important nationally,” Montañó says. “As we got our foot in the door in terms of this ordinance being applied to the private sector,” he surmised, that would give the living-wage network the ammunition to help other communities across the country do likewise. “I always knew, early on,” Montañó says, “that if Santa Fe enacted such an ordinance, that it likely would go to court, and that if it passed the legal test, it would be the kind of ordinance that other communities would copy.” The problem, at least from Montañó's perspective, was getting it enacted in the first place.

## The Moral Argument Carries the Day in Santa Fe

Santa Fe's City Council asked nine residents, representing the interests of labor and management, to join a round table that would settle the specifics of the proposed living-wage law — how high the wage would be, for instance, and how soon it would be phased in. Some members of the round table, like Al Lucero, who owns a popular local restaurant, Maria's New Mexican Kitchen, found the entire premise of a city wage law objectionable. “I think the minimum wage at \$5.15 is ridiculous,” Lucero told me. “If the state were to raise it overall, to \$7 an hour or \$7.50 an hour, I think that would be wonderful. I think we need to do it.” But \$9 or \$10 or \$11 was too high, in his view — and it would put Santa Fe at a disadvantage to other cities in the state or region that could pay workers less. Also, there were the free-market principles that Frank Montañó had anticipated: “They were trying to push and tell us how to live our lives and how to conduct our business,” says Lucero, who employs about 60 people.

Not surprisingly, Lucero's opponents on the round table saw things in a different light. For example, Carol Oppenheimer, a labor attorney, viewed the proposed law as a practical and immediate solution. “I got involved with the living-wage network because unions are having a very hard time,” she told me. She assumed that local businesses could manage with higher payrolls. Yet after only a few meetings of the task force, both sides dug in, according to Oppenheimer.

It was then that the living-wage proponents hit on a scorched-earth, tactical approach. “What really got the other side was when we said, ‘It's just immoral to pay people \$5.15, they can't live on that,’” Oppenheimer recalls. “It made the businesspeople furious. And we realized then that we had something there, so we said it over and over again. Forget the economic argument. This was a moral one. It made them crazy. And we knew that was our issue.”

The moral argument soon trumped all others. The possibility that a rise in the minimum wage, even a very substantial one, would create unemployment or compromise the health of the city's small businesses was not necessarily irrelevant. Yet for many in Santa Fe, that came to be seen as an ancillary issue, one that inevitably led to fruitless discussions in which opposing sides cited conflicting studies or anecdotal evidence. Maybe all of that was beside the point, anyway. Does it — or should it — even matter what a wage increase does to a local economy, barring some kind of catastrophic change? Should an employer be allowed to pay a full-time employee \$5.15 an hour, this argument went, if that's no longer enough to live on? Is it just under our system of government? Or in the eyes of God?

The Rev. Jerome Martinez, the city's influential Monsignor, began to throw his support behind the living-wage ordinance. When I met with him in his parish, in a tidy, paneled office near the imposing 18th-century church that looks over the city plaza, Martinez traced for me the moral justification for a living wage back to the encyclicals of Popes Leo XIII and Pius XI and John Paul II, in which the pontiffs warned against the excesses of capitalism. “The church's position on social justice is long established,” Father Jerome said. “I think unfortunately it's one of our best-kept secrets.”

I asked if it had been a difficult decision to support the wage law. He smiled slightly. “It was a no-brainer,” he said. “You know, I am not by nature a political person. I have gotten a lot of grief from some people, business owners, who say, ‘Father, why don’t you stick to religion?’ Well, pardon me — this is religion. The Scripture is full of matters of justice. How can you worship a God that you do not see and then oppress the workers that you do see?”

I heard refrains of the moral argument all over Santa Fe. One afternoon I walked around the city with Morty Simon, a labor lawyer and a staunch supporter of the living wage whose wife is Carol Oppenheimer. “This used to be the Sears,” Simon told me as we walked, pointing to boutiques and high-end chain stores. “And we had a supermarket over here, and there was a hardware store too.” Simon came to Santa Fe 34 years ago as a refugee from New York, he said, and for him the unpretentious city he once knew was gone. The wealthy retirees and second-home buyers had come in droves, and so had the movie stars. Gene Hackman and Val Kilmer had settled here; Simon recently found out that someone had plans for a 26,000-square-foot house, apparently a new local record. For him, the moral component of the law, the possibility of regaining some kind of balance, was what mattered. “It was really a question of, What kind of world do you want to live in?” he said.

Several Santa Fe councilors had, over the course of the previous year, come to Morty Simon’s view that the wage ordinance presented an opportunity to stop the drift between haves and have-nots. Carol Robertson Lopez, for example, had initially opposed the living-wage law but changed her mind after 30 hours of debate. “We take risks, oftentimes, to benefit businesses,” she told me, “and we take risks to benefit different sectors. I felt like this was an economic risk that we were taking on behalf of the worker.” She acknowledged that some residents thought the city had started down a slippery slope toward socialism; jokes about the People’s Republic of Santa Fe were rampant. But Robertson Lopez says that by the night of the vote she had few reservations. “I think the living wage is an indicator of when we’ve given up on the federal government to solve our problems,” she says. “So local people have to take it on their own.”

The living-wage ordinance had its final hearing on Feb. 26, 2003, in a rancorous debate that drew 600 people and lasted until 3 a.m. The proposal set a wage floor at \$8.50 an hour, which would increase to \$9.50 in January 2006 and \$10.50 in 2008. It would also regulate only businesses with 25 or more employees.

It passed the City Council easily, by a vote of 7 to 1. A few weeks later, a group of restaurant and hotel owners filed suit in state court on the grounds that the living-wage ordinance exceeded the city’s powers and was a violation of their rights under New Mexico’s constitution. A judge suspended the wage law until a trial could resolve the issues.

## Businesses Fight Back

To business owners in Santa Fe, the most worrisome aspect of the living-wage law is that the city has sailed into uncharted territory. Most of the minimum-wage campaigns in the U.S. have been modest increases of a dollar or a dollar and a half. The numerous state campaigns for 2006 will probably propose raises to between \$6.15 and \$7 an hour. (When San Francisco raised its minimum wage to \$8.50 an hour in 2004 — indexed to inflation, it is now \$8.82 — California’s state minimum wage was \$6.75, so the increase was 26 percent.) And even staunch supporters of a higher minimum wage accept that there is a point at which a wage is set so high as to do more harm than good. “There is no other municipality in the country that believes that \$9.50 should be the living wage,” says Rob Day, the owner of the Santa Fe Bar and Grill and one of the plaintiffs who sued the city. In fact, the most apt comparison would be Great Britain, which now has a minimum wage equivalent to about \$8.80 an hour. “They have minimum wages that are Santa Fe level,” says Richard Freeman, a Harvard economist. And at least for the moment, he says, “they have lower unemployment than we do.”

As the lawsuit against the city progressed, though, Europe wasn’t even a distant consideration. The focus was on the people of Santa Fe. I read through a transcript of *New Mexicans for Free Enterprise v. City of Santa Fe* one day this fall in a conference room at Paul, Weiss, Rifkind, Wharton & Garrison, the white-shoe law firm in Midtown Manhattan that defended, pro bono, Santa Fe’s right to enact the living-wage ordinance. In many respects, the trial, which took place over the course of a week in April 2004, was an unusual public exchange on profits, poverty and class in America. Paul

Sonn, the lawyer at the Brennan Center at New York University who wrote the Santa Fe ordinance, had enlisted Sidney Rosdeitcher, a partner at Paul, Weiss, to be lead counsel for Santa Fe's defense. Rosdeitcher told me that before the trial began, he wasn't convinced that there were many factual issues in dispute; as he saw it, the living-wage controversy was about the law and, in particular, whether Santa Fe had a legal "home rule" authority, under the provisions of the New Mexico constitution, to set wages, even for private industry. Nevertheless, several low-wage workers took the stand to relate the facts, as they saw them, of what the wage increase would do to improve their quality of life. The Rev.

Jerome Martinez took the stand as an employer of 65 people in his parish and Catholic school. And a number of restaurant owners, in turn, explained how the new law could ultimately force them out of business.

The plaintiffs — the New Mexicans for free enterprise — were not unsympathetic: the restaurateurs who took the stand, like Rob Day or Elizabeth Draiscoll, who runs the popular Zia Diner in town, opened their books to show that their margins were thin, their costs high, their payrolls large. They cared about their employees (providing health care and benefits), trained unskilled workers who spoke little or no English, gave regular raises and paid starting salaries well above \$5.15. They had built up their businesses through an extraordinary amount of hard work. Draiscoll testified that her restaurant, for instance, had \$2.17 million in annual revenue in the fiscal year of 2003. Though her assets were substantial — a restaurant can be valued at anywhere from 30 to 70 percent of its annual revenues, and Draiscoll said that Zia had been appraised at 66 percent of revenues, or about \$1.4 million — she earned a salary of \$49,000 a year. Draiscoll testified that the living wage would raise her payroll, which accounted for 55 to 65 employees (depending on the season), by about \$43,192 a year. Rob Day put the expenses of a living-wage increase even higher. In addition to labor costs, he estimated that the price of goods would go up as his local suppliers, forced to pay employees higher wages themselves, passed along their expenses to the Santa Fe Bar and Grill.

Rosdeitcher showed that the restaurants had made serious errors overestimating their costs. Still, the increase in expenditures was not negligible. Over the past few years, a variety of experts have tried to perfect the science of predicting what will happen to a community in the wake of a minimum-wage change, and one of those experts, Robert Pollin, a professor of economics at the University of Massachusetts Amherst, served as the expert witness on behalf of Santa Fe. Pollin projected that the living wage would affect the wages of about 17,000 workers. About 9,000 of those workers would receive raises because of the ordinance, he said; the rest would receive what he called "ripple effect" increases — which meant that those making, say, \$8.50 or more before the raise would most likely receive an additional raise from their employers to reflect their job seniority. Pollin calculated that wage increases would cost businesses a total of \$33 million. And to pay for those amounts, restaurants and hotels and stores would probably need to raise prices between 1 and 3 percent. The question, therefore, was whether business owners were willing to raise prices or make less in profits. In the trial, Pollin cited an obscure 1994 academic experiment in which several economists had set a different price within the same restaurant for a fried-haddock dinner. In varying the price of the haddock between \$8.95 and \$10.95, the researchers' goal was to find out whether variations in cost affected demand in a controlled environment. As it turned out, they didn't. Customers ordered the haddock at both \$8.95 and \$10.95.

## Results From the Santa Fe Experiment

That the city of Santa Fe has effectively become a very large fried-haddock-dinner experiment is difficult to deny. A state court judge ruled in favor of the city soon after the trial, allowing the living-wage ordinance to take effect in June 2004; recently, the judge's decision was affirmed by a state appellate court, giving the city, and its living-wage advocates, a sweeping victory. Many business owners have found these legal losses discouraging. This fall, not long after I visited the city, the Santa Fe Chamber of Commerce sent a note to its members to gauge their opinion on the \$8.50 living wage and the hike on Jan. 1 to \$9.50. Some members reported that they had no trouble adjusting to the first raise and supported a further increase. (Some of these owners, whose high-end businesses employ skilled workers, paid more than \$8.50 to begin with.) Others insisted that they were not averse to a state or federal raise in the minimum wage but that Santa Fe's citywide experiment had put local businesses at a competitive disadvantage: companies could move outside the city limits or could outsource their work to cheaper places in the state. But most respondents opposed the law. The living wage had forced them to raise prices on their products and services, which they feared would cut into business.

To look at the data that have accumulated since the wage went into effect is to get a more positive impression of the law. Last month, the University of New Mexico's Bureau of Business and Economic Research issued some preliminary findings on what had happened to the city over the past year and a half. The report listed some potential unintended consequences of the wage raise: the exemption in the living-wage law for businesses with fewer than 25 employees, for instance, created “perverse incentives” for owners to keep their payrolls below 25 workers. There was some concern that the high living wage might encourage more high-school students to drop out; in addition, some employers reported that workers had begun commuting in to Santa Fe to earn more for a job there than they could make outside the city.

Yet the city's employment picture stayed healthy — overall employment increased in each quarter after the living wage went into effect and was especially strong for hotels and restaurants, which have the most low-wage jobs. Most encouraging to supporters: the number of families in need of temporary assistance — a reasonably good indicator of the squeeze on the working poor — has declined significantly. On the other hand, the city's gross receipts, a reflection of consumer spending and tourism, have been disappointing since the wage went into effect. That could suggest that prices are driving people away. Or it could merely mean that high gas and housing prices are hitting hard. The report calculates that the cost of living in Santa Fe rose by 9 percent a year over the past two and a half years.

Rob Day of the Santa Fe Bar and Grill sees this as the crux of the matter. In his view, the problem with Santa Fe is the cost of housing, and there are better ways than wage regulations — housing subsidies, for example — to make homes more affordable. In the wake of the wage raise, Day told me, he eventually tweaked his prices, but not enough to offset the payroll increases. He let go of his executive chef and was himself working longer hours. “Now in the matter of a year and a half, I think there is a whole group of us who thought, If we were going to start over, this isn't the business we would have gone into,” he says.

Al Lucero, the owner of Maria's New Mexican Kitchen, says that the living-wage battle has risked turning him into a caricature. Opponents backing the living wage “paint us as people who take advantage of workers,” he told me. By contrast, Lucero sees himself as an upstanding member of the community who provides jobs (he has 60 employees) and had always paid well above the federal minimum. Other business owners said similar things but would not speak out publicly. They feared alienating customers. As some told it, they had started businesses with a desire to create wealth and jobs in a picturesque small city. Then they had awakened in a mad laboratory for urban liberalism.

## The Issue in Albuquerque

Long after he did his influential research with David Card on the effect of minimum-wage raises, Alan Krueger says, he came to see that ultimately the minimum wage is less about broad economic outcomes than about values. Which is not to say that workers' values should trump those of owners. Rather, that when wealth is being redistributed from one party to another — and not, in the case of Santa Fe, from overpaid C.E.O.'s and hedge-fund managers but from everyday entrepreneurs who have worked long hours to succeed in their businesses — things can get complicated. Indeed, while it is tempting to see the wage disputes in Santa Fe and elsewhere as a reflection of whether one side is right or wrong, on either economic or moral grounds, they are, more confusingly, small battles in a larger war (and, in America, a very old war) over where to draw the line on free-market capitalism. On one side there is Al Lucero, on the other someone like Morty Simon or the economist Robert Pollin, who says: “The principled position is: ‘Why should anyone tell anyone what to do? Why should the government?’ I just happen to disagree with that. A minimally decent employment standard, to me, overrides the case for a free market.”

And yet, the fact that voters or elected politicians should decide who wins these battles, rather than economists or policy makers, seems fitting. During Albuquerque's living-wage campaign this past fall, Santa Fe — the smaller, wealthier, northern neighbor — served as a rallying point. But it was also a question mark: Was Santa Fe's experience repeatable? Was it even worth pointing to as an exemplar? In the final days of the Albuquerque effort, Jen Kern of Acorn told me she had little doubt that the wage victory in Santa Fe, like the one in San Francisco, was an indication that a battle for creating high base wages in America's cities, in addition to the states, could be won. But these were also rich cities, liberal cities — “la-la lands,” as she put it. “I think with citywide minimums, if this is going to be the next era in the living-

wage movement, it's got to look like it's winnable," Kern says. "The danger or the limitations of just having San Francisco and Santa Fe having passed this is that people in other parts of the country are going to say, 'Well, I'm not Santa Fe, I'm not San Francisco.'" In Kern's view, a win "in a city like Albuquerque, which I think everyone thinks of as sort of a normal city," was a truer test.

And it didn't pass that test. When the \$7.50 ballot initiative lost by 51 percent to 49 percent on Oct. 4, it made many in the living-wage movement wonder how these battles will play out over the next year or two. One political consultant involved in the movement questioned whether the Albuquerque wage itself, at \$7.50 an hour, had been set too high by Acorn to win broad support. Matthew Henderson of Acorn, who ran the day-to-day campaign, said he thought they were outspent by their opponents. Most likely, though, the outcome was determined by the actual grounds on which the battle was fought. The businesses that opposed the \$7.50 wage, represented mainly by the Greater Albuquerque Chamber of Commerce, challenged a small provision in the proposed living-wage law that would allow those enforcing a living wage to have wide "access" to a workplace. The campaigns soon began trading allegations through television ads and direct mailings about how far such access might go. And so the living-wage campaign had become a surreal fight over privacy (it would allow "complete strangers to enter your child's school," one mailing against the measure claimed) rather than wages. When I met with Terri Cole, the president and C.E.O. of Albuquerque's Chamber of Commerce, a few days before the vote, she acknowledged that the chamber opposed the living-wage law on philosophical grounds. But she said she saw the access clause as a legitimate grounds for a fight.

## Will It Play Nationally?

In the aftermath of Albuquerque, Jen Kern took solace in the fact that 10 years after she visited the Library of Congress, and 10 years after she began working on living-wage campaigns, the opposition fought not on the economic merits or risks of a higher wage, but on a side issue like privacy. Still, a loss is a loss. It is possible that the Albuquerque wage campaign may still prevail, in effect: New Mexico's governor, Bill Richardson, has said he would consider a statewide raise this spring, presumably to \$7 or \$7.50, from \$5.15, that would affect all New Mexicans. (It would, in all likelihood, leave Santa Fe's higher wage unaffected.) Yet such an act does little to clarify whether progressives can actually transform strong levels of voter support for higher wages into wins at the polls. Kristina Wilfore, the head of the Ballot Initiative Strategy Center, a progressive advocacy group, says that over the years there has been anywhere from a 2 to 5 percent increase in voter turnout specifically correlated with wage measures. "But people think it's some big panacea, and it's not," says Wilfore, who regards success as dependent on how well a local wage coalition (organized labor, grassroots groups, church-based organizations) can work together at raising money and mobilizing voters.

For specific candidates in a state or city where a wage measure is on the ballot, it can be similarly complicated. Representative Rahm Emanuel of Illinois, chairman of the Democratic Congressional Campaign Committee, told me that the local battles over living wages reflect the broader debate in the U.S. over health care, retirement security and an advancing global economy. "Every district is different," Emanuel says of the slate of Congressional races for 2006, "but there is not one where the living wage, competitive wages or health care doesn't play out. The minimum-wage issue, if it's on the ballot, is part of the economic argument."

David Mermin of Lake Research Partners, who frequently conducts polls on minimum-wage issues, told me that the dollar level of a wage proposal is important, though it can vary from place to place. ("People have different feelings about what's a lot of money," he says.) But he has found that quirks can emerge. An increase to \$6.15 sometimes doesn't poll as well as an increase to \$6.75, which can generate more intensity and broader support from voters. Mermin also says that wage measures have had success in recent years, Albuquerque notwithstanding, not because Americans feel differently but because campaigners are getting smarter about stressing morals over economics. And when handled adroitly, a wage platform can motivate the kind of voters who are difficult to engage in other ways: younger voters, infrequent voters, low-income urban voters. His research, Mermin adds, shows that most people who vote for the minimum wage know it's not going to affect their lives tomorrow: "It's not like fixing the health-care system, or repairing the retirement system," he says. "It doesn't rise to that level directly. And if you list it in 10 issues, it doesn't pop out in priority. But when it is on the ballot, it crystallizes a lot of things people feel about the economy and about people who

are struggling.” In his experience, voters seem to process these measures as an opportunity to take things into their own hands and change their world, just as Morty Simon did.

Still, as an endgame, many in the living-wage movement see the prize not in a series of local victories in 2006 but in Congressional action that results in a substantial increase in the federal minimum wage — and even better — one that is indexed to inflation, so that such battles about raising the wage don't need to be fought every few years. The long-run trajectory, Paul Sonn told me, is for cities and states to create enough pressure to ultimately force a raise on the federal level. Or to put it another way, the hope is that raising wages across the U.S. will ultimately demonstrate to voters and to Washington lawmakers both the feasibility and the necessity of a significantly higher minimum wage. In the meantime, Sonn says, cities like Santa Fe play an important role in policy innovation, “really as sort of laboratories of economic democracy.” Richard Freeman of Harvard echoes this point. “If you go back, a lot of the New Deal legislation, good or bad, came about because there was a lot of state legislation,” Freeman says. Policies from New York or Wisconsin were adapted into the federal system of laws. “A lot of it came from state variations in the past, and I think we'll see a lot more of this in the next few years. The things that work the best might be adopted nationally.”

Of course, it also seems plausible that any kind of national coherence on economic — or moral — matters may have ended long ago. Just as the voters of states and cities have sorted themselves politically into red and blue, and into pro- and anti-gay marriage, in other words, they are increasingly sorting their wage floors and (perhaps soon) their health-care coverage. This trend may produce not progressive national policies but instead a level of local self-determination as yet unseen. Or as Freeman puts it, “Let Santa Fe do what it wants, but let's not impose that on Gadsden, Ala.” That wouldn't make a federal increase in the minimum wage insignificant, but it would make it something of a backdrop for major population centers. As Robert Reich says, “The reality is, even if the wage were raised to \$6.15, it would not be enough to lift a family out of poverty.” And as Jen Kern notes, even a federal minimum wage that goes up to \$7.25, which is the proposal from the Senate Democrats and which probably isn't going anywhere until 2008, doesn't approach what it now costs to live in some cities.

This was why, in December, Kern and Acorn were considering the prospects for laying the groundwork for living-wage ordinances in other cities. And it's why, also in December, Paul Sonn was helping to write an ordinance for Lawrence Township, N.J., aimed at forcing the city's big-box retailers like Wal-Mart to pay a higher wage (more than \$10 an hour) and to contribute a larger share of employee benefits. Last month, Sonn also pointed out to me that Santa Cruz, Calif., was considering plans to introduce a measure that would establish a minimum wage of \$9.25 an hour.

It wasn't quite Santa Fe's level, but close. And that suggested that the small New Mexican city, to the delight of its living-wage advocates and the chagrin of many business owners, was no longer just an experiment. Rather, it had already become something best described, for better or for worse, as a model.

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