

# OPINION

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## VIEWPOINT

# Economics 101: Inflation and the minimum wage

Rick Davis, owner of Crystal Cleaners, did an admirable job of laying out "Business 101" and small business concerns with the proposed increase of the minimum wage to \$15; but let's take a look at Economics 101.

The Federal Minimum Wage is not indexed to inflation. In other words, as the cost of living increases, the Federal Minimum Wage remains the same without an act of Congress. Rick points out the \$1.25 level of minimum wage when he started employing people. That \$1.25 would be worth nearly \$10 an hour in 2015 inflation adjusted dollars. The 1968 level of \$1.60 per hour would be worth \$10.85 per hour in 2015 dollars. The current Federal Minimum Wage is \$7.25 per hour and was set in 2009.

Inflation has eroded the buying power of that \$7.25 each and every year down to \$6.50 worth of buying power today as compared to 2009. So what does that mean? A business owner who has been paying employees the Federal minimum wage for 45-plus years is paying the equivalent of \$2.75 less per hour now than in 1966. The current New York state minimum wage of \$8.75 per hour is still \$1.25 less per hour than the inflation adjusted 1966 level. A minimum wage worker has less money to spend today than they did in 1966 or 2009 on rent, food, clothing, transportation, childcare, health care, etc.; much less on education which Rick proposes in order to enable them to pull themselves up to higher earning potential. In 1968, a full-time, minimum wage job provided annual income at a level of 99% of the poverty level for a family of four (two adults and two children). Today's minimum wage provides only 60 percent. It's hard to pull yourself up by your boot straps when you can't afford boots.

I agree with Rick, the currently proposed \$15 per hour is probably not the right number. It might be in New York City or Seattle where the cost of living is significantly higher than

the norm, but it would seem a stretch in Steuben or Chemung County. However, there seems to be general consensus among economists that a \$12 level indexed to inflation is sustainable and would not be detrimental to business. The Economist magazine recently estimated that, given the state of the U.S. economy and wage patterns among other advanced economies in the Organization for Economic Cooperation and Development, "one would expect America... to pay a minimum wage around \$12 an hour."

A raise in the minimum wage is not viewed as disastrous by all small business owners. The U.S. Department of Labor points out that a June 2014 survey found that more than 3 out of 5 small business owners support increasing the minimum wage to \$10.10 by 2016. Small business owners believe that a higher minimum wage would benefit business in important ways: 58 percent say raising the minimum wage would increase consumer purchasing power; 56 percent say raising the minimum wage would help the economy. In addition, 53 percent agree that with a higher minimum wage, businesses would benefit from lower employee turnover, increased productivity and customer satisfaction.

Small businesses are not in business primarily to provide employment opportunities, but, when they do, they have a responsibility to pay adequate wages. We as a nation have allowed our minimum wage workers to fall behind year after year and need to do more to shore up that valuable economic resource.

Businesses large and small need to step up to the plate and support a reasonable minimum wage increase and index it to inflation to ensure the American worker never falls behind again.

— *Bob Mitchell, a Corning resident, is a retired vice president from Beacon Application Services Corporation in Framingham, Mass.*

## POLITICS | SEN. TOM O'MARA

# Going all-in with taxpayer dollars

A recent Albany-based blog post made me sit up straight. It quoted Governor Andrew Cuomo's response to reporters in Buffalo when he has asked if there would ever come a day when New York state didn't have to dole out huge amounts of taxpayer-financed incentives and subsidies to attract and keep businesses and jobs. The governor said, "No, because what's happening now is every state is competing for every business. We have governors who come and meet with our businesses who make them offers to move their business. It's this constant competition among the states and if you're not careful you will wind up losing a lot of businesses because the other states are going to be more competitive."

In other words New York, in this governor's opinion, is all-in on the only way of creating and keeping private-sector jobs is by being the highest bidder. Not good news. Yes, incentives are important. But more important is lowering the overall tax and regulatory burden on all state businesses so that we are competitive out of the gate. Only then can we compete head to head with other states using a rational incentive package.

The governor traveled to Binghamton and Buffalo on August 4, distributing millions of dollars of additional state economic development assistance and, again, touting the benefits of START-UP NY as the way to keep our jobs, and attract



SEN. TOM O'MARA

new employers. In Binghamton he said, "To turn the state around, it's jobs, it's jobs, it's jobs."

A few thoughts. In June, news reports surfaced questioning the aggressiveness of Cuomo administration efforts to prevent businesses and industries from moving hundreds of jobs out of state. The head of New York's lead economic development agency was quoted as saying, "In a competitive situation we do what we can [to prevent companies from leaving the state]. Government cannot take full responsibility for the growth or the decline."

Well, no, government should never be fully responsible for the ups and downs of the private-sector economy. But I've long argued that government does bear full responsibility for failing to do everything possible to get out of the way of private-sector economic growth, which primarily means removing the high taxes, mandates and over-regulation that have long been roadblocks to sustained growth in New York.

The governor is out there proclaiming Start-Up NY as the jobs savior for New York. And once again we're forced to ask, Is it? Remember that Start-Up NY is the two-year-old initiative that

offers tax-free zones to try to lure qualifying businesses to locate, relocate or expand in designated areas, mostly on or near college campuses. The benefit to some businesses, including some regional ones, is obvious. But do we really need to dictate where a business locates as long as it is job growth and investment in our state? Let the businesses decide where they want to be.

An audit released by the state comptroller's office earlier this year is worth recalling in order to address several key questions surrounding Start-Up NY, such as: What's the broader benefit to state taxpayers, and workers? Is it worth the money? Is it fair? The comptroller's audit found, for example, that the state spent \$45.1 million between October 2013 and October 2014 to advertise Start-Up NY, and millions more advertising that we're "Open For Business," and received commitments from just 41 businesses to create 1,750 jobs over the next five years. Other, similar assessments have been equally critical, including one that reported \$28 million worth of Start-Up NY advertising to create only 76 jobs (or a cost of \$368,000 per job).

The comptroller concluded that Start-Up NY leaves "real questions about whether the results justify the cost." The Cuomo administration refuted the findings and argues that the Start-Up NY investment can only be judged long term. But what happens, say five years down the road, if after

having spent hundreds of millions of dollars more, it hasn't worked? Who's deciding if the investment is worth it every step of the way? Who can pull the plug? Right now, only the governor makes the call. That's a red flag.

Would these taxpayer dollars be better spent on more broad-based tax, regulatory and mandate relief actions that might better benefit a more broad-based, middle-class segment of the workforce? Of course that raises the question of fairness, rightly so. Many New York State business owners have struggled to survive and create jobs under what has long been one of the worst business tax climates in America. Is it fair to make these loyal, successful New York State job creators, large and small, compete with a program that lavishes state-funded incentives to a select few without leveling the playing field for all?

I've asked it before, and I'll ask it again: How does creating competitive disadvantage for any existing New York State business make good, common, sound business sense for the long term? Yes, governor, other states are coming after our jobs. But are there better ways than dealing out taxpayer dollars to put a stop to it?

— *State Sen. Tom O'Mara represents New York's 53rd Senate District, which includes Steuben, Chemung, Schuyler and Yates counties, and a portion of Tompkins County.*

## ANOTHER VIEW



## READER VIEW | JOHN C. JOHNSTON

# The fight to save Social Security, Medicare

Medicare and Social Security are celebrating their 80th and 50th birthdays; July 30 for Medicare and Aug. 14 for Social Security. These two programs are the bedrock of our retirement and disability benefits. Social Security also covers families' income loss due to death of a parent. These are called survivors' benefits and have kept millions of families from falling into poverty over the past 80 years.

These are social insurance systems and they are the best thing our government has done for our nation since its inception.

Social Security is the absolute best investment you can make; eclipsing even the stock market and real estate because it is guaranteed. Did you know that you will recoup every cent, you actually paid in, within 3 years of drawing your first check?

Medicare began in 1965 with legislation signed into law by President Lyndon B Johnson. Coverage began in 1966. Elder Americans soon came to love their Medicare and Social Security; they still do, as it's all many seniors have to live on based on their working life. Everyone in America can't be wealthy

and Social Security was never intended to be your sole income in retirement. For younger workers who don't believe either program will be there when you need them think about this; all you have to do to keep Social Security and Medicare intact is to register and vote for NO REPUBLICANS!! Every one of them wants to privatize Social Security and voucherize Medicare; they are well on the way to doing just that, evidenced by over 80 field offices and over 500 satellite (contact stations) office closures. Thirteen of these field offices are in New York state including

the Midtown Manhattan Office, which is one of the largest in the nation.

The Republicans want to repeal the Affordable Care Act (Obamacare) and get rid of Medicaid as well. Obamacare is the vehicle we need to get to Universal Health Care; and Medicaid is the subsidy that helps people get affordable health care. If the Republicans are successful 8 million Americans will lose their health insurance immediately and another 11 million will drop out because they can't afford the premiums. You cannot

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